



ANNUAL FINANCIAL STATEMENTS

Thursday, June 30, 2011

HIBISCUS COAST MUNICIPALITY

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HIBISCUS COAST MUNICIPALITY

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS AT 30 JUNE 2011

I am responsible for the preparation of these group financial statements, which are set out on **pages 11 to 52** in terms of section 126 (1) of the Municipal Finance Management Act, 2003. (Act No. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in **note 25** of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act, 1998 (Act No. 20 of 1998) and the Minister of Provincial and Local Government's determination in accordance with this Act.

SW Mkhize

Municipal Manager

HIBISCUS COAST MUNICIPALITY

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AS AT 30 JUNE 2011

1. BASIS OF ACCOUNTING

1.1 PRESENTATION OF ANNUAL FINANCIAL STATEMENTS

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices, including any interpretations of such Statements issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by the Standard of GRAP

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 9	Revenue from Exchange Transactions
GRAP12	Inventories
GRAP13	Leases
GRAP14	Events after the Reporting Dates
GRAP16	Investment Property
GRAP17	Property, Plant and Equipment
GRAP19	Provisions, Contingent Liabilities and Contingent Assets
GAMAP 9	Paragraph relating to Revenue from Non-Exchange Transactions
GRAP100	Non-Current Held for Sale and Discontinued Operations
GRAP102	Intangible Assets
IPSAS 20	Related Party Disclosures
IPSAS 21	Impairment of Non-Cash -Generating Assets
IFRS 7	Financial Instruments : Disclosures
IAS 19	Employee Benefits
IAS 32	Financial Instruments : Presentation
IAS 36	Impairment of Assets
IAS 39	Financial Instruments : Recognition and Measurements

1.2 PRESENTATION OF CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality

1.3 GOING CONCERN ASSUMPTION

These annual financial statements of the municipality have been prepared on a going concern basis .

1.4 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP Standards have been issued but are not yet effective and have not been early adopted by the municipality

GRAP 8 Interest in Joint Ventures-issued August 2006

GRAP 18 Segment Reporting -issued April 2006

GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008

GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007

GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following amendments to standards and interpretations have been issued but are not yet effective and have not been adopted by the municipality.

IAS 19 Employee Benefits-effective 1 January 2009

IFRIC 17 Distribution of Non-cash Assets to Owners-effective 1 July 2009

IAS 39 Financial Instruments: Recognition and Measurement-portions of standard effective 1 July 2009

Management has considered all the GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

1.6 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these annual financial statements .

When the presentation or classification of items in the annual financial statements is amended prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year the change is made retrospectively as far as practicable and prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year the adjustment is made retrospectively as far as practicable and prior year comparatives are restated accordingly.

2 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, 1997 (No. 107 of 1997). Loans from national and provincial government used to finance house selling schemes undertaken by the group were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

House selling schemes, both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the said Act, all proceeds from housing developments, including rental income and sales of houses must be paid into the Housing Development Fund. Monies standing to the credit of this account can only be used to finance housing developments within the municipal area

3 PROPERTY, PLANT AND EQUIPMENT

3.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (Major components) of property, plant and equipment

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired it

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an i

3.2 SUBSEQUENT MEASUREMENT-COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits

3.3 SUBSEQUENT MEASUREMENT-REVALUATION MODEL (LAND AND BUILDING)

Land and buildings were revalued to their market value by making use of the municipality's general valuation roll. Properties were valued in accordance with generally recognised valuation practices, methods and standards and the provisions of the Municipal Property Rates Act.

3.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Asset	Years
Infrastructure	
Roads and Paving	30
Pedestrian Malls	30
Electricity	20 - 30
Water	15 - 20
Sewerage	15 - 20
Housing	30
Community	
Improvements	30
Recreational Facilities	20 - 30
Security	5

Asset	Years
Other	
Buildings	30
Specialist Vehicles	10
Other Vehicles	5
Office Equipment	3 - 7
Furniture and Fittings	5 - 10
Watercraft	15
Bins and Containers	5
Specialised Plant and Equipment	10 - 15
Other Plant and Equipment	2 - 5

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant

3.5.DERECOGNITION

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sale proceeds and the carrying amount and recognised in the Statement of Financial Performance.

4 INTANGIBLE ASSETS

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and bring to use the specific software.

Intangible assets are initially recognised at cost.

Amortization is charged on a straight-line basis over their useful lives, which is estimated to be between 2 to 7 years.

The estimated useful life and amortization method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

5 INVESTMENT PROPERTY

5.1 INITIAL RECOGNITION

Investment property includes Land or a building, or part of a building, or both land and buildings held under a finance lease) held to earn rentals and /or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods and services, or the sale of an asset in the ordinary course of an entity's operations.

5.2 SUBSEQUENT MEASUREMENT- FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model investment property is carried as its fair value at the reporting date. Any gain or loss arising from the changes in the fair value of the property is included in surplus or deficit for the period in which they arise.

The gain or loss arising on the disposal of an investment property is determined as the difference between the sale proceeds and the carrying value and is recognised in the Statement of Financial Performance.

6 INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the weighted average cost of commodities. If inventories are to be distributed at no charge or for a nominal charge, they are valued at the lower of cost and current replacement cost.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

7 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

8 FINANCIAL INSTRUMENTS

8.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

8.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP standard on financial instruments, is in accordance with IAS 39.

8.2.1 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets. Loans and receivables are recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on analysing and reviewing the top 40% (Rand value) of debtors in detail. The recoverability of debt owing by each debtor in the top 40% is assessed and the irrecoverable amount is provided for. The remaining 60% of debtors is classified based on category and area. Each classification is analysed and based on their circumstances, the recoverability is determined and the irrecoverable amounts are provided for. No provision is calculated for government debt and property rates as these cannot be written off.

An impairment of trade receivable is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectable, it is written off.

8.2.2 INVESTMENTS

Financial assets, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as held-to-maturity and are measured at amortised cost.

Where investment has been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

8.2.3 CASH AND CASH EQUIVALENT

Cash includes cash on hand and cash with banks. Bank balances are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the cash flow statement, bank and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdraft.

8.2.4 TRADE AND OTHER PAYABLES

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised costs which is the initial carrying amount less repayment plus interest. Finance costs are accounted for using the effective interest rate method.

8.3 IMPAIRMENT OF FINANCIAL ASSETS

At each balance sheet date an assessment is made whether there is any objective evidence of impairment of financial assets. If there is such evidence the recoverable amount is estimated and an impairment loss is recognized in accordance with ISA 39. Where financial assets have been impaired, the carrying amount are adjusted by the impairment losses, which are recognized as an expense in the period that the impairment is identified.

Long term receivables and other debtors are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets. Long term receivables and other debtors are recognised initially at cost which represents fair value. Management's opinion is that the carrying value of long-term receivables recorded in the financial statements approximate their fair values. In determining the recoverability of a long-term receivable, the municipality considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the management believe that there is no further credit provision in excess of the provision for impairment. The impairment recognised represents the difference between the carrying amount of these receivables and the present value of the expected proceeds. The municipality does not hold collateral over the balances.

9 REVENUE RECOGNITION

9.1 REVENUE FROM EXCHANGE TRANSACTIONS

Service charges for electricity are based on consumption by consumers as is recorded on each consumer's meter. Meters are read each month and the revenue is recognised in the period that invoices are raised. Provisional estimates of consumption are made in periods where meter readings have not been able to be carried out. The revenue from these provisional readings is also recognised as revenue when invoiced. Adjustments to provisional estimates and recognition of the amended revenue arising from this, is made in the invoicing period in which the meters are read. Revenue from sale of electricity prepaid meter cards is recognised in the period in which the sale is recorded.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month. Refuse costs are also recovered through the medium of the general rate levied on building valuations.

Interest and rentals is recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

9.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from assessment rates is recognised when the legal entitlement arises. Collection charges are recognised when such amounts have been raised and are legally enforceable. Penalty interest is raised on unpaid rates after the due date for payment and is recognised on a time proportion basis.

Revenue from the collection of spot fines and summonses is recognised when payment is received. It is impracticable to make a fair estimation of the fines receivable since the Justice process allows a court to determine the final fine payable on individual cases based on merit and there is no consistency from one case to another.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement and there is reasonable assurance that the grant will be received. To the extent that the criteria, conditions or obligations have been met, a liability is recognised.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

10 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

The municipality does not recognise a contingent liability or contingent assets. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an outflow of economic benefits is probable.

11 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees. The defined benefit obligation are actuarially valued on the projected unit credit method basis by the independent qualified actuaries.

12 LEASES

12.1 MUNICIPALITY AS A LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of an item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised on the straight-line basis over the term of the relevant lease.

12.2 MUNICIPALITY AS A LESSOR

Operating lease rental income is recognised on a straight-line basis over the term of the relevant lease.

13 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

14 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, group or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality' or Municipal entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17 CHANGE IN ACCOUNTING POLICIES, ESTIMATE AND ERRORS

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP 3 requirement, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the change in accounting policy.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of the change in estimate are disclosed in the notes to the annual financial statements where applicable.

Correction of error that are effected by management have been applied retrospectively in accordance with GRAP 3 requirement, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the error. In such case the municipality will restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

18 COMMITMENTS

The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.

19 RELATED PARTIES

Individuals as well as their close family members, and /or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

20 GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

Receive any goods or service delivery in return, as would be expected in a purchase or sale transaction,
Expect to be repaid in future; or
Expect a financial return, as would be expected from an investment

These transfers are recognised in the Statement of Financial Performance as expense in the period that the events giving rise to the transfer occurred.

21 EVENTS AFTER THE REPORTING DATE

Events after the reporting that are classified as adjusting events have been accounted for in the annual financial statements. The events after the reporting date that are classified as non-adjusting events have been disclosed in the notes to the annual financial statements.

22 VALUE ADDED TAX

Value added taxation on revenue and expenditure transactions are recorded in the books of the Council on the accrual basis of accounting. However the South African Revenue Services has registered and permitted the municipality to use the payments basis for determining the monthly amounts due to or from the South African Revenue Services.

23 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

HIBISCUS COAST MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011 R	2010 R Restated
NET ASSETS AND LIABILITIES			
Net Assets(Community Wealth)		829,286,314	918,482,544
Accumulated Surplus	1	421,112,536	504,642,388
Revaluation Reserve		408,173,778	413,840,156
Non-Current Liabilities		106,018,177	57,010,686
Long Term Liabilities	2	58,840,945	13,951,343
Post Retirement Health Care Benefits	3	40,437,417	36,333,041
Long Service Award Benefits	4	6,739,815	6,726,302
Current Liabilities		184,410,796	198,467,880
Current Portion of Long -term Liabilities	2	8,397,610	5,578,010
Current Post Retirement Health Care Benefits	3	1,096,777	975,000
Current Long Service Award Benefits	4	1,157,882	437,401
Consumer Deposits	5	15,372,625	14,469,609
Trade Payables and Other Payables from Exchange Transactions	6	84,672,986	90,917,677
Provisions	7	26,993,600	19,369,800
Unspent Conditional Grants and Receipts	8	46,548,152	66,592,648
Operating Lease Liability	9	171,165	127,735
Total Net Assets and Liabilities		1,119,715,287	1,173,961,110
ASSETS			
Non-Current Assets		810,188,455	887,155,289
Property, Plant and Equipment	10	536,714,350	727,186,584
Intangible Assets	11	531,329	834,774
Investment Property Carried at Fair Value	12	260,856,000	145,750,000
Housing Selling Units		46,892	46,892
Long- term Receivables	13	12,039,884	13,337,040
Current Assets		309,526,831	286,805,820
Current Portion of Long -term Receivables	13	1,673,217	1,062,207
Inventory	14	2,289,453	3,324,152
Trade Receivables from Exchange Transactions	15	92,839,320	80,500,713
Other Receivables from Non-Exchange Transactions	16	5,013,200	10,424,791
Investments	17	65,000,000	60,000,000
Bank and Cash Equivalents	18	142,711,641	131,493,957
Total Assets		1,119,715,286	1,173,961,110

HIBISCUS COAST MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE AT 30 JUNE 2011

	Note	2011 R	2010 Restated R
REVENUE			
Property Rates	19	220,523,626	211,263,526
Property Rates-Penalties and Collection Charges		117,319	69,933
Service Charges	20	97,199,536	85,474,434
Rental of Facilities and Equipment		2,324,932	2,168,011
Interest Earned:External Investments	21	9,632,262	11,311,897
Interest Earned:Outstanding Receivables	21	7,068,347	9,530,247
Fines		1,419,095	4,431,518
Licences and Permits		5,840,705	5,118,840
Income from Agency Services		3,214,060	2,916,056
Government Grants and Subsidies	22	150,090,775	155,704,691
Other Income	23	9,463,071	14,502,703
Gains on Disposal of Property,Plant and Equipment		-	10,295
Gains on Fair Value of Property,Plant and Equipment	10	8,727,766	-
Total Revenue		515,621,494	502,502,151
EXPENDITURE			
Employee Related Costs	24	218,878,386	193,210,760
Remuneration of Councillors	25	14,613,313	13,932,113
Bad Debts		2,113,380	6,057,131
Contribution to Bad Debts	15	2,839,763	-
Long-term Debtors Written Off		-	3,462,868
Depreciation and Amortisation	26	43,264,009	42,477,216
Repairs and Maintenance		25,564,879	24,254,889
Interest Paid	27	3,713,811	1,834,975
Bulk Purchases	28	45,912,213	35,870,394
Contracted Services	29	18,479,719	16,438,765
Grants and Subsidies Paid		6,967,282	17,597,575
General Expenses	30	120,899,867	76,969,977
Audit Fees	31	2,433,739	2,268,588
Write Down of Obsolete Inventory	14	35,418	218,473
Contribution to Landfill Site Rehabilitation	7	7,623,800	3,140,000
Loss on Disposal of Property,Plant and Equipment	10	-	638,364
Impairment Losses	33	222,552	70,399
Debtors Discounting	15	-	704,381
Loss Fair Value Adjustments on Investment Property	34	95,631,340	-
Total Expenditure		609,193,472	439,146,868
(DEFICIT) SURPLUS FOR THE PERIOD		(93,571,977)	63,284,884
Refer to Appendix E(1) For Explanation of Variances			

HIBISCUS COAST MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

	Revaluation Reserve	Accumulated Surplus/(Deficit)	Total for Accumulated Surplus/(Deficit) Account	Total
2010				
Balance at 30 June 2009	417,814,450	132,881,344	793,365,772	793,365,772
Correction of Error (Note 44)	-	75,179,913	75,179,913	75,179,913
Change in Accounting Policy(Note 43)	-	242,669,978	-	-
Restated Balance	417,814,450	450,731,235	868,545,685	868,545,685
Surplus/(Deficit) for the year	-	63,284,884	63,284,884	63,284,884
Offsetting of Depreciation	(3,974,294)	11,101,813	-	-
PPE Purchased	-	24,843,282	-	-
Transfer of interest on Housing Investments	-	-	1,834,778	1,834,778
Contribution to Reserves	-	(30,000,000)	-	-
Grants/ Donations utilised to Obtain PPE	-	(83,789,733)	-	-
Transfers from Housing Development Fund	-	-	(32,033,851)	(32,033,851)
Disposal of Assets	-	638,364	-	-
Other Adjustments	-	16,851,048	16,851,048	16,851,048
Adjustment to Housing Development Fund	-	4,655,749	-	-
Reversal of movements during 2010	-	46,325,746	-	-
Balance at 30 June 2010	413,840,156	504,642,388	918,482,544	918,482,544
2011				
Correction of Error (Note 44)				
Change in Accounting Policy(Note 43)				
Restated Balance	413,840,156	504,642,388	918,482,544	918,482,544
Surplus/(Deficit) for the year		(93,571,977)	(93,571,977)	(93,571,977)
Transfer from Housing Development Fund		-	-	-
Transfer to Housing Development Fund		-	1,109,373	1,109,373
Reversal of retention held		440,448	440,448	440,448
Margate airport prior year expenses		162,480	162,480	162,480
Creditors prior years		269,754	269,754	269,754
Inventory adjustments prior years		(2,380,962)	(2,380,962)	(2,380,962)
Other debtors adjustment		4,992,974	4,992,974	4,992,974
Change in Estimate Intangible Assets		(218,320)	(218,320)	(218,320)
Offsetting of depreciation	(5,666,378)	5,666,378	-	-
Movements in HDF during 2011	-	1,109,373	-	-
Balance at 30 June 2011	408,173,778	421,112,536	829,286,314	829,286,314

HIBISCUS COAST MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010 Restated
	Note		
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from Ratepayers, Government and Other		504,899,761	429,693,991
Cash paid to Suppliers and Employees		(496,558,259)	(360,740,246)
Cash generated from / (utilised in) Operations	35	8,341,502	68,953,746
Interest received	21	16,700,609	20,842,144
Interest paid	27	(3,713,811)	(1,834,975)
NET CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES		21,328,300	87,960,915
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(54,578,269)	(108,633,015)
Expenditure on Investment Property	11	-	(1,540,913)
Purchase of Intangible Assets	12	(21,355)	(112,656)
Other Movements in Property, Plant and Equipment	11	-	(2,159,574)
Decrease/(Increase) in Investments	17	(5,000,000)	160,475,969
Decrease / (Increase) in Long-term Receivables	13	686,145	18,802,662
NET CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES		(58,913,479)	66,832,473
CASH FLOWS FROM FINANCING ACTIVITIES			
New Loans Raised	2	55,000,000	-
Payment of Long-term Liabilities	2	(7,306,510)	(7,098,403)
(Decrease)Increase in Housing Development Fund	1	1,109,372	(30,858,969)
		48,802,862	(37,957,372)
NET INCREASE/(DECREASE) IN BANK AND CASH EQUIVALENTS		11,217,683	116,836,016
Cash and Cash Equivalents at the beginning of the year	18	131,493,957	14,657,941
Cash and Cash Equivalents at the end of the year	18	142,711,641	131,493,957

HIBISCUS COAST MUNICIPALITY

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

	2011 R	2010 R Restated
1 ACCUMULATED SURPLUS		
The Accumulated Surplus consists of the following Reserves:		
Housing Development Fund	25,492,153	24,382,781
Capital Replacement Reserve (CRR)	26,961,788	26,961,788
Government Grants Reserve	216,303,381	216,303,381
Capitalisation Reserve	18,329,539	18,329,539
Donations and Public Contributions Reserve	3,018,235	3,018,235
Accumulated Surplus / (Deficit) due to the results of Operations	131,007,439	215,646,664
Total Accumulated Surplus	421,112,536	504,642,388

Housing Development Fund is represented by the following assets:

Debtors	53,718	48,711
Housing Inventory	46,892	46,892
Housing Investments	25,391,543	24,287,178
Total Housing Development Fund	25,492,153	24,382,781

The prior year **accumulated Surplus** has been restated due to errors discovered during the year in the accounting records of the municipality . Refer to Note 44 on "Correction of Error" for details of the restatement.

The prior year **Accumulated Surplus** has been restated due to change in accounting policy which resulted in the transfer of reserves to accumulated surplus in order to comply with GRAP Requirements. Refer to note 43 on "Change in Accounting Policy" for details of the restatement.

2. LONG TERM LIABILITIES

Local Registered Stock Loans	-	150,000
Annuity Loans	67,238,555	18,802,761
Long term Loans - Capitalised Lease liabilities	-	576,592
Sub-Total	67,238,555	19,529,353
Less : Current portion transferred to current liabilities	8,397,610	5,578,010
Local Registered Stock Loans	-	150,000
Annuity Loans	8,397,610	4,851,418
Capitalised Leases	-	576,592
Total Long-Term Liabilities	58,840,945	13,951,343

2.1 Summary of Arrangements

Annuity Loans

Bear interest at rates between 11.56% and 20.25% per annum, are being redeemed in semi-annually instalments, inclusive of interest, over varying periods until 2020. Annuity loans are not secured. Refer to Appendix A for more details.

Fair Value Impairments

The management is of the opinion that the carrying value of Long term liabilities approximates their fair value. Long term loans are recorded at the actual liability to loan creditors. No impairment, if any has been necessary as redemptions have been made in accordance with loan agreements and interest rates are in accordance with market rates at the time of receiving the funding.

2.2 Obligations under Finance Leases

The Municipality as Lessee:

Finance Leases relate to Property, Plant and Equipment with lease terms not more than 5 years. The effective interest rate on Finance Leases is between 10.5% and 11.50%.

The risks and rewards of ownership in respect of the Property, Plant and Equipment will transfer to the municipality at the conclusion of the agreement.

The municipality's obligations under Finance Leases are secured by the lessors title to the leased assets.

The obligations under Finance Leases are as follows:

	2011	2010 Restated
	Present Value of Minimum Lease Payments	Present Value of Minimum Lease Payments
	R 2011	R 2010
Within one year	-	576,592
In the second to fifth years, inclusive	-	-
Over five years	-	-
	-	576,592
Less: Future Finance Obligations	-	-
Present Value of the Minimum Lease Obligations	-	576,592

The municipality has finance lease agreements for the following significant class of assets:

- Vehicles

3. RETIREMENT BENEFIT LIABILITIES

Post Retirement Medical Aid Benefits Liability

Balance at beginning of Year	37,308,041	29,089,000
Contributions to Provision	4,226,153	8,219,041
Increase due to Discounting	-	-
Expenditure incurred	-	-
Reduction due to Re-measurement	-	-
	41,534,194	37,308,041
Balance at end of Year	41,534,194	37,308,041
Transfer to Current Provisions	(1,096,777)	(975,000)
	40,437,417	36,333,041

Total Post-retirement Medical Aid Benefits Liability

The municipality provides certain post-retirement medical benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Independent Actuarial Consultants, Fellow of the Faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the Post-employment Medical Aid Benefit Plan are made up as follows:

In-service Members (Employees)	426	402
Continuation Members (Retirees, widowers and orphans)	76	77
	502	479

Total Members

The liability in respect of past service has been estimated as follows (R million):

In-service Members	17,114,398	17,167,800
Continuation Members	24,419,795	20,140,241
	41,534,193	37,308,041

Total Liability

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Global Health
- LA Health
- Samwumed

The Future-service Cost for the ensuing year is estimated to be R1 311 969 whereas the interest cost for the year after is estimated to be R 3 567 787

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.59%	9.04%
Health Care Cost Inflation Rate	5.38%	5.40%
Net Effective Discount Rate	7.38%	1.53%
Expected Retirement Age	65	65

The amounts recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations	41,534,194	37,308,041
Fair value of plan assets	-	-
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
	41,534,194	37,308,041

Total Benefit Liability

	2011	2010 Restated
The amounts recognised in the Statement of Financial Performance are as follows:		
Current service cost	1,644,858	1,137,000
Interest cost	3,372,647	2,589,000
Expected return on plan assets	-	-
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	690,209	5,310,000
Vested past service costs	-	-
Losses / (Gains) arising from curtailments or settlements	-	-
Adjustments for restrictions on the defined benefit asset	-	-

Total Post-retirement Benefit included in Employee Related Costs	5,707,714	9,036,000
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Movements in the present value of the Defined Benefit Obligation were as follows:		
Balance at the beginning of the year	37,308,041	29,089,041
Current service costs	1,644,858	1,137,000
Interest cost	3,372,647	2,589,000
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(1,481,556)	(817,000)
Actuarial losses / (gains) recognised	690,209	5,310,000
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-

Present Value of Fund Obligation at end of Year	41,534,199	37,308,041
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Movements in the present value of the Defined Benefit Assets were as follows:		
Balance at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions from the employer	1,481,556	817,000
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(1,481,556)	(817,000)
Actuarial gains / (losses)	-	-
Assets distributed on settlements	-	-

Balance at the end of year	-	-
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The history of experienced adjustments is as follows:

	2009 R	2008 R
Present Value of Defined Benefit Obligation	29,089,041	27,707,869
Fair Value of Plan Assets	-	-
Deficit	29,089,041	27,707,869
Experienced adjustments on Plan Liabilities	(1,269,772)	5,180,958
Experienced adjustments on Plan Assets	-	-

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:		
Effect on the aggregate of the current service cost and the interest cost	1,630,878	2,032,000
Effect on the defined benefit obligation	48,176,058	43,309,000
Decrease:		
Effect on the aggregate of the current service cost and the interest cost	1,065,377	1,347,000
Effect on the defined benefit obligation	36,138,326	32,444,000

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements as at 30 June 2011 in terms of IAS 19, *Employee Benefits*, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability have been recognised as at 30 June 2011.

4. LONG SERVICE AWARDS AND RETIREMENT GIFTS LIABILITY	2011	2010 Restated
Balance at beginning of year	7,163,703	6,819,758
Contributions to Provision	733,994	343,945
Increase due to Discounting	-	-
Expenditure incurred	-	-
Reduction due to Re-measurement	-	-
Balance at end of Year	<u>7,897,697</u>	<u>7,163,703</u>
Transfer to Current Provisions	(1,157,882)	(437,401)
Total Long Service Awards and Retirement Gifts Liability	<u>6,739,815</u>	<u>6,726,302</u>

The prior year figures of the Long Service Awards have been restated to correctly account for the liability of the municipality. Refer to note 44 on "Correction of Error" for details of restatement.

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2011 by Independent Actuarial Consultants, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The employees eligible for long service awards are made up as follows:

Male	624	615
Female	415	395
Total Members	<u>1,039</u>	<u>1,010</u>

The Future-service Cost for the ensuing year is estimated to be R764 068.00 whereas the interest cost for the year after is estimated to be R678 404

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate	8.59%	8.90%
General Salary Inflation (long term)	5.38%	5.30%
Net Effective Discount Rate	6.38%	2.45%
Expected Retirement Age	65	65

The amounts recognised in the Statement of Financial Position are as follows:

Present value of unfunded obligations	7,897,697	7,163,703
Fair value of plan assets	-	-
Unrecognised past-service cost	-	-
Unrecognised actuarial gains / (losses)	-	-
Restrictions on asset recognised	-	-
Fair value of reimbursement rights recognised	-	-
Total Benefit Liability	<u>7,897,697</u>	<u>7,163,703</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	695,179	65,696
Interest cost	647,590	85,130
Expected return on plan assets	-	-
Expected return on reimbursement rights	-	-
Actuarial losses / (gains)	479,646	193,211
Vested past service costs	-	-
Losses / (Gains) arising from curtailments or settlements	-	-
Adjustments for restrictions on the defined benefit asset	-	-
Total Post-retirement Benefit included in Employee Related Costs	<u>1,822,415</u>	<u>344,037</u>

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	7,163,703	7,403,026
Current service costs	695,179	65,696
Interest cost	647,590	85,130
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(1,088,422)	(583,360)
Actuarial losses / (gains) recognised	479,646	193,211
Losses / (gains) on curtailments	-	-
Liabilities extinguished on settlements	-	-
Present Value of Fund Obligation at the end of Year	<u>7,897,696</u>	<u>7,163,703</u>

	2011	2010 Restated
Movements in the present value of plan assets were as follows:		
Balance at the beginning of the year	-	-
Expected return on plan assets	-	-
Contributions from the employer	1,088,422	583,360
Contributions from plan participants	-	-
Past-service costs	-	-
Benefits paid	(1,088,422)	(583,360)
Actuarial gains / (losses)	-	-
Assets distributed on settlements	-	-
Balance at the end of year	-	-

The history of experienced adjustments is as follows:

	2009 R	2008 R
Present Value of Obligation	956,513	1,279,607
Fair Value of Plan Assets	-	-
Deficit	956,513	1,279,607
Experienced adjustments on Plan Liabilities	-	-
Experienced adjustments on Plan Assets	-	-

The effect of a 1% movement in the assumed rate of general salary inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	842,532	765,623
Effect on the defined benefit obligation	8,543,482	7,710,740

Decrease:

Effect on the aggregate of the current service cost and the interest cost	694,766	633,236
Effect on the defined benefit obligation	7,315,058	6,671,114

The transitional Defined Benefit Liabilities for Post-retirement Medical Aid Benefits have been recognised in the Annual Financial Statements of the municipality as at 30 June 2011 in terms of IAS 19, *Employee Benefits*, paragraph 155(a). The municipality has elected to recognise the full increase in this Defined Benefit Liability immediately, thus the full transitional liability has been recognised as at 30 June 2011.

5. CONSUMER DEPOSITS

Consumer Deposits	15,372,625	14,469,609
Total Consumer Deposits	15,372,625	14,469,609
Guarantees held in lieu of electricity deposits	1,343,422	1,299,712

No interest is paid on consumer deposits held

6. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Trade and Other Payables from Exchange Transactions	1,695,942	2,774,802
Deposits - other	8,262,842	7,079,120
Accruals	18,964,858	15,209,255
Staff Leave accrual	12,730,595	10,116,670
Overtime Accrual	452,543	-
Retentions	13,457,076	15,221,216
Southbroom	299,087	299,890
Payments received in Advance (Trade Receivables and Other Debtors)	23,739,125	18,188,578
Outstanding cheques at end of year	5,070,917	22,028,146
Total Trade and Other Payables	84,672,986	90,917,677

Trade and Other Payables have been restated to correctly classify the liability in respect of Creditors of the municipality. Refer to Note 44 on "Correction of Error" for details of the restatement.

Staff Leave accrue to the staff of the municipality on an annual basis, subject to certain conditions. The accrual is an estimate of the amount due at the reporting date.

The average credit period on purchases is 30 days from the receipt of the invoice, as determined by the MFMA. No interest is charged for the first 30 days from the date of receipt of invoice. The municipality has financial risk policies in place to ensure that all payables are paid within the credit time frame.

	2011	2010 Restated
7. PROVISIONS		
Landfill Site Rehabilitation	26,993,600	19,369,800
Total Provisions	26,993,600	19,369,800

Provisions have been restated to correctly classify Staff Leave previously included in Creditors. Refer to Note 45 on "Correction of Error" for details of the restatement.

The provision for the rehabilitation of landfill Site relates to the legal obligation to rehabilitate landfill sites used for waste disposal. The best estimate for the Landfill Site Rehabilitation has been determined by SSI Engineers (Professional Environmental Engineers) and is based on present value at the Statement of Financial Position date.

The movement in current provision can be reconciled as follows:

30 June 2011

Balance at beginning of year	19,369,800	16,229,800
Contribution to provision	7,623,800	3,140,000
Balance at end of year	26,993,600	19,369,800

8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

8.1 Conditional Grants from Other Spheres of Government	6,412,297	21,611,290
National:MIG Grants	6,391,805	18,203,416
National:FMG Grants	20,492	349,461
National:Disaster Grants	-	3,058,413
8.2 Provincial Government Grants	18,492,810	40,935,744
Dept of Housing	18,492,810	40,935,744
8.3 Other Conditional Receipts	21,643,045	4,045,614
Other Conditional Grants	21,643,045	4,045,614
Total Unspent Conditional Grants and Receipts	46,548,152	66,592,648

See Note 22 for the reconciliation of Grants from Other Spheres of Government

The prior year figures of **Unspent Conditional Grant and Receipts** has been restated to account for expenditure and deposits that was not recognised in prior years. Refer to Note 45 on "Correction of Error" for details of restatement.

9. OPERATING LEASE

9.1 Operating Leases- Lessee

Operating Leases are recognised on a straight line basis as required by GRAP 13. The following Operating Lease Liabilities have been recognised:

Balance at Beginning of year	127,735	46,418
Operating Lease expenses recorded	950,329	797,356
Operating Lease payments effected	(906,899)	(716,039)
Total Operating Lease Liabilities	171,165	127,735

9.1.1 Leasing Arrangements

The Municipality as Lessee

Operating Leases relates to property, plant and equipment with lease term no longer than 5 years, with an option to extend for further period. The municipality does not have an option to purchase the leased asset at the end of the lease term.

9.1.2 Amount payable under Operating Leases

At the reporting date the municipality has outstanding commitments under operating leases which fall due as follows:

Within one year	8,052,361	6,136,039
Later than one year	5,640,245	7,376,306
Later than five years	-	-
Total Operating Lease Arrangement	13,692,606	13,512,345

Operating Lease payments represent rentals payable by the municipality for properties and equipment

The lease was negotiated for periods ranging from 36 months to 119 months. The rentals escalate between 8% and 11%. No contingent rent is payable.

10 PROPERTY, PLANT AND EQUIPMENT

30 June 2011

Reconciliation of Carrying Amount

Description	Land and Buildings	Infra-structure	Community	Other	Heritage	Capitalised Leased Assets	Housing Schemes	Total
Carrying values at 01 July 2010	333,567,400	279,006,630	92,079,313	24,076,754	257,086	889,470	15,752,953	745,629,606
Cost	67,841,920	358,723,521	111,200,500	68,037,592	257,086	9,776,426	24,185,589	640,022,634
- Completed Assets	66,386,920	340,997,228	108,795,362	68,037,592	257,086	9,776,426	24,185,589	618,436,203
- Under Construction	1,455,000	17,726,293	2,405,138	-	-	-	-	21,586,431
GRAP 17 Adjustments								-
GRAP 17 Adjustments								-
Prior Period Depreciation Adjustment								-
Revaluation	316,556,624	22,677,984	26,353,407	-	-	-	-	365,588,015
Impairment				17,631				17,631
Accumulated Depreciation:	50,831,144	102,394,875	45,474,594	43,943,207	-	8,886,956	8,432,636	259,963,412
- Cost	42,245,378	93,721,227	42,015,132	43,943,207	-	8,886,956	8,432,636	239,244,536
- Revaluation	8,585,766	8,673,648	3,459,462	-	-	-	-	20,718,876
Correcting 2010 errors Accumulated depreciation		597,975	53,054	6,027,895				6,678,924
Correction of Error(Incorrect Capitalisation)				(9,368,993)			(15,752,953)	(25,121,946)
Recalculated 2010 Carryinig value	333,567,400	279,604,605	92,132,367	20,735,656	257,086	889,470	-	727,186,584
GRAP 17 Fair value Adjustments				7,905,691	822,075			8,727,766
Less Accumulated Depreciation adjustment								-
Acquisitions	54,285	15,545,773	4,553,928	4,424,744			-	24,578,730
Capital under Construction - Additions	2,380,944	25,488,056	2,072,539	58,000				29,999,539
Capital under Construction - Movement	-	-	-	-	-	-	-	-
Capital under Construction - Released		(17,726,293)	(1,706,021)		-	-		(19,432,314)
Capital under Construction - Acquisitions		17,726,293	1,706,021					19,432,314
Reversals of Impairment Losses								
Transfer from Investment Property	1,518,000							1,518,000
Depreciation:	(4,929,402)	(26,954,981)	(4,925,657)	(5,963,931)	-	(239,467)	-	(43,013,438)
- Based on Cost	(829,767)	(26,954,981)	(4,047,210)	(5,963,931)		(239,467)		(38,035,356)
- Based on Revaluation	(4,099,635)		(878,447)					(4,978,082)
Impairment Losses					(27,491)			(27,491)
Other Movements: Disposals/Write offs	-	-	-	-	-		-	-
- Cost						(3,730,277)		(3,730,277)
- Accumulated Depreciation	-	-	-	-	-	3,730,277	-	3,730,277
- Based on Cost					-	3,730,277		3,730,277
- Based on Revaluation	-	-	-	-	-	-	-	

Carrying values at 01 July 2011	120,335,887	293,683,453	93,833,177	27,160,160	1,051,670	650,003		536,714,350
Cost	71,795,149	399,757,350	117,826,967	80,426,027	1,079,161	6,046,149	24,185,589	701,116,392
- Completed Assets	67,959,205	374,269,294	115,055,311	80,368,027	1,079,161	6,046,149	24,185,589	668,962,736
- Under Construction	3,835,944	25,488,056	2,771,656	58,000	-	-	-	32,153,656
Revaluation	316,556,624	22,677,984	26,353,407	-	-	-	-	365,588,015
Transfer to Investment Property	(212,255,340)	-	-	-	-	-	-	(212,255,340)
Accumulated Impairment:					(27,491)			(27,491)
Accumulated Depreciation:	(55,760,546)	(128,751,881)	(50,347,197)	(53,265,867)	(27,491)	(5,396,146)	(24,185,589)	(317,734,717)
- Cost	(43,075,145)	(120,078,233)	(46,009,288)	(53,265,867)	(27,491)	(5,396,146)	(24,185,589)	(292,037,759)
- Revaluation	(12,685,401)	(8,673,648)	(4,337,909)	-	-	-	-	(25,696,958)
30 June 2010								
Reconciliation of Carrying Amount								
Description	Land and Buildings	Infra-structure	Community	Other	Heritage	Capitalised Leased Assets	Housing Schemes	Total
Carrying values at 01 July 2009	337,365,203	218,426,480	75,677,436	27,260,752	213,006	1,981,472	16,756,512	677,680,861
Cost	31,779,074	275,159,061	72,605,924	78,847,828	231,106	9,776,426	24,185,589	492,585,008
- Completed Assets	31,688,974	223,007,151	66,823,653	78,645,940	231,106	9,776,426	23,002,810	433,176,060
- Under Construction	90,100	52,151,910	5,782,271	201,888	-	-	1,182,779	59,408,948
GRAP 17 Adjustments	34,595,098	(1,176,480)	20,648,888	845,399	-	-	-	54,912,905
GRAP 17 Adjustments	(35,295,520)	1,062,640	(20,648,888)	(82,614)	-	-	-	(54,964,382)
Prior Period Depreciation Adjustment	250,118	-	3,104,966	(996,784)	18,100	-	(165,349)	2,211,051
Revaluation	316,556,624	22,677,984	26,353,407	-	-	-	-	365,588,015
Reclassification								
Accumulated Depreciation:	(10,970,495)	(79,410,565)	(23,281,895)	(51,587,076)	(18,100)	(7,794,954)	(7,429,077)	(180,492,162)
- Cost	(6,976,370)	(70,736,917)	(19,822,433)	(51,587,076)	(18,100)	(7,794,954)	(7,429,077)	(164,364,927)
- Revaluation	(3,994,125)	(8,673,648)	(3,459,462)	-	-	-	-	(16,127,235)
Acquisitions	67,748	78,442,116	17,466,406	4,338,068	25,980	-	-	100,340,318
Capital under Construction - Additions	1,400,000	6,413,415	479,282	-	-	-	-	8,292,697
Increases/(Decrease) in Revaluation		-	-	-	-	-	-	0
Reversals of Impairment Losses								
Depreciation:	4,815,247	24,161,541	4,648,777	6,632,072	-	1,092,002	838,210	42,187,849
- Based on Cost	223,606	24,161,541	4,648,777	6,632,072	-	1,092,002	838,210	37,596,208
- Based on Revaluation	4,591,641	-	-	-	-	-	-	4,591,641
Impairment Losses	-	-	-	17,631	-	-	-	17,631
Other Movements: Disposals	-	-	-	(638,364)	-	-	-	(638,364)
- Cost		(114,591)	-	(15,993,703)	-	-	-	(16,108,294)
- Revaluation	-	-	-	-	-	-	-	-
- Accumulated Impairment Losses								
- Accumulated Depreciation	-	114,591	-	15,355,339	-	-	-	15,469,930
- Based on Cost	-	114,591	-	15,355,339	-	-	-	15,469,930

- Based on Revaluation	-	-	-	-	-	-	-	-
Carrying values at 01 July 2010	333,567,400	279,006,630	92,079,313	24,076,754	257,086	889,470	15,752,953	745,629,606
Cost	67,841,920	358,723,521	111,200,500	68,037,592	257,086	9,776,426	24,185,589	640,022,634
- Completed Assets	66,351,820	300,158,196	104,938,947	67,835,704	257,086	9,776,426	23,002,810	572,320,989
- Under Construction	1,490,100	58,565,325	6,261,553	201,888	-	-	1,182,779	67,701,645
Revaluation	316,556,624	22,677,984	26,353,407	-	-	-	-	365,588,015
Accumulated impairment:	-	-	-	17,631	-	-	-	17,631
Accumulated Depreciation:	50,831,144	102,394,875	45,474,594	43,943,207	-	8,886,956	8,432,636	259,963,412
- Cost	42,245,378	93,721,227	42,015,132	43,943,207	-	8,886,956	8,432,636	239,244,536
- Revaluation	8,585,766	8,673,648	3,459,462	-	-	-	-	20,718,876

HIBISCUS COAST MUNICIPALITY
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

2011 2010 Restated

The prior year figures of the Property, Plant and Equipment has been restated . Refer to note 44 On Correction of Error for the details of restatement.

10.1 Gross Carrying Amount of Property, Plant and Equipment that is fully depreciated and still in use:

There are no Property, Plant and Equipment that is fully depreciated at year-end and still in use by the municipality.

10.2 Impairment on Property Plant and Equipment

Impairment of Property, Plant and Equipment was taken into consideration by PriceWaterHouseCoopers , during the process of identifying, componentising and measuring immovable assets.

11. INTANGIBLE ASSETS

	Intangible Assets R	Total R
The movement in Intangible Assets is reconciled as follows:		
Carrying amount at 30 June 2010	834,774	834,774
Gross Carrying Amount	2,311,260	2,311,260
Accumulated Amortisation	(1,476,486)	(1,476,486)
Additions	21,335	21,335
Amortisation during the Year	(250,571)	(250,571)
GRAP 102 Adjustments	120,852	120,852
Impairment Losses	(195,061)	(195,061)
Carrying amount at 30 June 2011	531,329	531,329
Gross Carrying Amount	2,332,595	2,332,595
Accumulated Amortisation	(1,801,266)	(1,801,266)
30 June 2010		
Carrying amount at 30 June 2009	966,785	966,785
Gross Carrying Amount	2,251,372	2,251,372
Accumulated Amortisation	(1,284,587)	(1,284,587)
Additions	112,656	112,656
Amortisation during the Year	(289,367)	(289,367)
Impairment Loss	(52,768)	(52,768)
Disposals during the Year:	-	-
Carrying amount at 30 June 2010	834,774	834,774
Gross Carrying Amount	2,311,260	2,311,260
Accumulated Amortisation	(1,476,486)	(1,476,486)

The amortisation expense has been included in the line item in the " Depreciation and Amortisation " in the Statement of Financial Performance(note 26)

All of the municipality's Intangible Assets are held under freehold interests and no Intangible Assets had been pledged as security for any liabilities of the municipality.

The following restrictions apply to Intangible Assets:

Munsoft Classic Financial Software and Pastel Accounting Software:

- (i) The system is non-assignable, non-transferable, and the municipality has no exclusive rights to use
- (ii) The municipality, as the licensee, shall not grant usage of, or distribute, the system in its original or modified form, to a third party for the third party's benefit.
- (iii) The municipality has no intellectual property rights to the system.

11.1 Significant Intangible Assets

Significant Intangible assets that did not meet recognition criteria for Intangible Assets in terms of GRAP 102 is the following:

- (i) Website costs have been expensed and not recognised as Intangible Assets. The municipality cannot demonstrate how its website will generate probable future economic benefits.

12. INVESTMENT PROPERTY- AT FAIR VALUE

2011 2010 Restated

The movement in Investment property is reconciled as follows:

As at 30 June 2011

	Land	Building	Total
Carrying amount at beginning of year	104,573,000	41,177,000	145,750,000
Transfer to Property, Plant and Equipment	-	(1,518,000)	(1,518,000)
Transfer from Property, Plant and Equipment	212,255,340	-	212,255,340
Net Gain(Loss) from a Fair Value Adjustment	(83,796,339)	(11,835,001)	(95,631,340)
Carrying amount at end of year	<u>233,032,001</u>	<u>27,823,999</u>	<u>260,856,000</u>

As at 30 June 2010

	Land	Building	Total
Carrying amount at beginning of year	104,573,000	39,636,087	144,209,087
Expenditure Capitalised	-	1,540,913	1,540,913
Carrying amount at end of year	<u>104,573,000</u>	<u>41,177,000</u>	<u>145,750,000</u>

Investment properties are stated at fair values, which have been determined based on the valuations by E-Evaluations as at 30 June 2011 an industry specialist in valuing these types of investment properties. Messrs E-Evaluations are members of the Institute of Valuers, and they have appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The valuation, which conforms to International Valuation Standards, was arrived at by reference to market evidence of transaction prices for similar properties.

13. LONG TERM RECEIVABLES

Ugu District Municipality	13,664,619	14,350,765
Housing Loans	48,482	48,482
	<u>13,713,101</u>	<u>14,399,247</u>
Less: Short-term portion transferred to Current Assets	<u>1,673,217</u>	<u>1,062,207</u>
Ugu District Municipality	1,667,582	1,056,572
Housing Loans	5,635	5,635
Total Long-term Receivables	<u>12,039,884</u>	<u>13,337,040</u>

The amount owed by **Ugu District Municipality** to the municipality represents the amount paid by the municipality to DBSA on behalf of Ugu District Municipality arising from transfer of powers and functions. The instalment varied and paid semi-annually.

Housing Loans comprises the amount paid by the employees of the municipality in respect of housing. The debt varies from employee to employee and the instalment is paid on a monthly basis.

14. INVENTORY

Consumable stores and Maintenance Materials- At Cost	2,289,453	3,324,152
Total Inventory	<u>2,289,453</u>	<u>3,324,152</u>
Write down of inventory due to shortages	<u>35,418</u>	<u>218,473</u>
components		

The inventory value is considered as the net realisable value of the stock because management feels that the stock is useable and any losses on ultimate realisation are immaterial.

15. TRADE RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade Receivables	118,947,505	103,769,135
Less: Provision for Bad Debts	(26,108,185)	(23,268,422)
Total Trade Receivables	<u>92,839,320</u>	<u>80,500,713</u>

15.1 Ageing of Consumer Debtors

Rates: Ageing

Current(0-30 days)	46,061	(400,248)
31- 60 Days	4,242,501	3,742,547
61- 90 Days	3,389,461	3,270,152
91-120 Days	2,616,087	2,868,056
+ 120 Days	46,959,955	42,135,030
Total	<u>57,254,065</u>	<u>51,615,537</u>

	2011	2010 Restated
<i>Electricity:Ageing</i>		
<i>Current(0-30 days)</i>	7,364,026	5,814,890
31- 60 Days	285,676	129,740
61- 90 Days	90,019	65,816
91-120 Days	69,470	38,483
+ 120 Days	347,999	426,971
Total	8,157,191	6,475,900
<i>Refuse:Ageing</i>		
<i>Current(0-30 days)</i>	-	(30,483)
31- 60 Days	850,998	642,983
61- 90 Days	748,070	533,090
91-120 Days	554,334	472,188
+ 120 Days	7,178,510	5,219,346
Total	9,331,912	6,837,123
<i>Interest:Ageing</i>		
<i>Current(0-30 days)</i>	1,346,661	1,672,432
31- 60 Days	625,544	809,277
61- 90 Days	596,000	752,748
91-120 Days	570,655	696,468
+ 120 Days	11,470,249	11,761,343
Total	14,609,109	15,692,268
<i>Ageing:Sundry Charge</i>		
<i>Current(0-30 days)</i>	175,145	469,789
31- 60 Days	39,904	49,701
61- 90 Days	58,710	46,407
91-120 Days	73,843	119,418
+ 120 Days	5,119,185	4,978,086
Total	5,466,787	5,663,401
<i>Other Debtors</i>		
<i>Current(0-30 days)</i>	-	-
31- 60 Days	-	-
61- 90 Days	-	-
91-120 Days	-	-
+ 120 Days	653,554	17,484,906
Total	653,554	17,484,906
<i>Add Back :Payments received in advance(Included in creditors)</i>		
<i>Current(0-30 days)</i>	5,927,017	5,219,582
31- 60 Days	4,380,534	4,187,433
61- 90 Days	1,352,452	1,480,637
91-120 Days	3,532,969	748,456
+ 120 Days	8,281,914	6,552,470
Total	23,474,887	18,188,578

15.2 Summary of Debtors by Customer Classification

	Consumers R	Industrial/ Commercial R	National and Provincial Government R	Other R
As at 30 June 2011				
<i>Current(0-30 days)</i>	2,305,922	2,787,602	302,517	2,189,773
31- 60 Days	3,036,672	907,337	222,680	321,961
61- 90 Days	4,988,374	908,544	115,164	311,365
91-120 Days	3,325,766	845,988	182,837	3,261,515
+ 120 Days	72,093,817	6,587,723	3,651,650	10,600,296
Sub-total	85,750,551	12,037,194	4,474,848	16,684,911
Less: Provision for Impairment	15,664,911	3,916,228	-	6,527,046
Total Debtors by Customer Classification	70,085,640	8,120,966	4,474,848	10,157,865
As at 30 June 2010				
<i>Current(0-30 days)</i>	(2,637,818)	1,462,650	54,090	2,499,680
31- 60 Days	(1,591,438)	308,582	35,825	584,493
61- 90 Days	3,564,239	648,750	86,177	345,311
91-120 Days	2,746,263	453,407	69,445	185,224
+ 120 Days	63,041,125	6,679,123	2,720,712	22,513,294
Sub-total	65,122,371	9,552,512	2,966,250	26,128,001
Less: Provision for Impairment	13,961,053	5,817,106	-	3,490,263
Total Debtors by Customer Classification	51,161,318	3,735,407	2,966,250	22,637,738

	2011	2010 Restated
The ageing of debtors are as follows:		
Current	7,975,250	1,379,312
30 - 60 Days	9,395,589	6,658,551
60 - 90 Days	5,193,079	4,473,708
90 - 120 Days	6,900,822	5,851,995
150 Days and Over	89,482,764	85,405,569
Total Trade Receivables	118,947,505	103,769,135

15.3 Reconciliation of the Provision for Impairment

Balance at beginning of year	23,268,422	22,039,560
Contributions made during the year	2,839,763	6,057,131
Amount written off	-	(4,828,269)
Balance at end of year	26,108,185	23,268,422

The prior year figures of Consumer Debtors and Other Debtors have been restated to correctly comply with GRAP 1 Presentation of Financial Statement. Refer to Note 45 for details of restatement.

Trade Receivables comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial conditions of these debtors. Consumer debtors are presented net of provision for impairment.

The management have profiled each debt and considered the effects of any impairment in the value of outstanding and compared them with the value of the provision for bad debt. The provision is adequate to meet any material losses expected to arise from any adjustments that are required to be made to outstanding from impairments and discounting.

No provision has been made in respect of government debt and Property Rates as these amounts are considered to be fully recoverable.

The credit control policy states that the average credit period for consumer debtors is 30 days. Interest is charged on overdue accounts and such interest is determined by the council. The municipality enforces its approved credit control policy to ensure the recovery of consumer debtors.

16. OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Sundry Debtors	4,616,208	10,424,791
VAT Receivables	-	-
Amounts Paid in Advance(Included in Creditors)	264,239	-
Councillors(Unemployment Insurance Fund)	132,753	-
Total Other Receivables from Non-Exchange Transactions	5,013,200	10,424,791

17. INVESTMENTS

Fixed Deposits	65,000,000	60,000,000
Total Investments	65,000,000	60,000,000

Summary of the Short-term Investments Deposits

The current investments consist of Fixed deposits redeemable over 90 days and not more than 1 year are classified as investments in the financial statements and earn interest varying from 7.50% and 7.90% per annum.

The summary of all investments by the municipality at the end of the financial year as required by Section 125(2)(b) of the MFMA Act No 56 of 2003 has been disclosed as follows:

Investec

Account number 1400-19309-451

Cash book balance at beginning of year	40,000,000	-
Cash book balance at end of year	65,000,000	40,000,000

Bank statement balance at beginning of year	40,000,000	-
Bank statement balance at end of year	65,000,000	40,000,000

Nedbank

Account number 03/7881000791/32(Fixed Deposits)

Cash book balance at beginning of year	20,000,000	-
Cash book balance at end of year	-	20,000,000

Bank statement balance at beginning of year	20,000,000	-
Bank statement balance at end of year	-	20,000,000

Total Short- term Investments	65,000,000	60,000,000
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18. BANK ,CASH AND CASH EQUIVALENTS

	2011	2010 Restated
Standard Bank- Port Shepstone		
<i>Account Number 05 325 607 7 (Primary Bank Account)</i>		
<i>Cash and Cash equivalent consist of:</i>		
Bank Balances	5,600,019	8,325,190
Call Accounts	137,087,632	123,145,000
Cash on Hand	23,990	23,767
Total Bank ,Cash and Cash Equivalents	142,711,641	131,493,957

For the purpose of the Statement of Financial Position and the Statement of Cash Flows ,Bank,Cash and Cash Equivalents include Cash -on-Hand, Cash in Banks and Investments in Money Market Instruments, net of outstanding Bank Overdraft.

Cash book balance at beginning of year	8,325,189	77,123
Cash book balance at end of year	5,600,019	8,325,189
Bank statement balance at beginning of year	6,659,617	14,022,275
Bank statement balance at end of year	4,557,027	6,659,617

18.1 Current investments Deposits

Call Deposits	137,087,632	123,145,000
Total Call Deposits	137,087,632	123,145,000

Call deposits are investments with maturity of less than 3 months and earn interest varying from 5.50% to 6.50% per annum. The call deposits are classified as Bank and Cash Equivalents and disclosed in aggregate with positive bank account balance.

The municipality has the following bank accounts

Absa Bank Ltd-Port Shepstone

Account number 91-0281-5623 (Louisiana Housing)

Cash book balance at beginning of year	24,821,122	23,892,259
Cash book balance at end of year	9,707,191	24,821,122
Bank statement balance at beginning of year	24,821,122	23,892,259
Bank statement balance at end of year	9,707,191	24,821,122

Absa Bank Ltd-Port Shepstone

Account number 91-4947-4529 (Nzimakwe Housing)

Cash book balance at beginning of year	-	540,340
Cash book balance at end of year	596,936	571,158
Bank statement balance at beginning of year	-	540,340
Bank statement balance at end of year	596,936	571,158

Absa Bank Ltd-Port Shepstone

Account number 91-4947-4927 (Nzimakwe Housing2)

Cash book balance at beginning of year	-	4,442,943
Cash book balance at end of year	772,692	3,259,562
Bank statement balance at beginning of year	3,259,562	4,442,943
Bank statement balance at end of year	772,692	3,259,562

Absa Bank Ltd-Port Shepstone

Account number 91-4947-5509 (Bhobhoyi Housing)

Cash book balance at beginning of year	9,252,853	3,737,077
Cash book balance at end of year	340,624	9,252,853
Bank statement balance at beginning of year	9,252,853	3,737,077
Bank statement balance at end of year	340,624	9,252,853

Absa Bank Ltd-Port Shepstone

Account number 91-4947-5753 (Bhobhoyi Housing1)

Cash book balance at beginning of year	10,719	10,037
Cash book balance at end of year	11,360	10,719
Bank statement balance at beginning of year	10,719	10,037
Bank statement balance at end of year	11,360	10,719

Absa Bank Ltd-Port Shepstone	2011	2010 Restated
<i>Account number 91-4947-5208 (Damaged Housing)</i>		
Cash book balance at beginning of year	94,387	89,295
Cash book balance at end of year	98,647	94,387
Bank statement balance at beginning of year	94,387	89,295
Bank statement balance at end of year	98,647	94,387
Absa Bank Ltd-Port Shepstone		
<i>Account number 91-4940-1627 (Uplands Housing)</i>		
Cash book balance at beginning of year	58,166	55,028
Cash book balance at end of year	60,791	58,166
Bank statement balance at beginning of year	58,166	55,028
Bank statement balance at end of year	60,791	58,166
Absa Bank Ltd-Port Shepstone		
<i>Account number 91-4940-1164 (Mkholombe Housing)</i>		
Cash book balance at beginning of year	27,979	14,852
Cash book balance at end of year	29,187	27,979
Bank statement balance at beginning of year	27,979	14,852
Bank statement balance at end of year	29,187	27,979
Absa Bank Ltd-Port Shepstone		
<i>Account number 91-5277-5491(Aids Projects)</i>		
Cash book balance at beginning of year	105,397	99,710
Cash book balance at end of year	110,154	105,397
Bank statement balance at beginning of year	105,397	99,710
Bank statement balance at end of year	110,154	105,397
Standard Bank -Port Shepstone		
<i>Account number 89140-356988(Masinenge Housing)</i>		
Cash book balance at beginning of year	10,609	26,396
Cash book balance at end of year	3,786,689	10,609
Bank statement balance at beginning of year	10,609	26,396
Bank statement balance at end of year	3,786,689	10,609
Standard Bank -Port Shepstone		
<i>Account number 89139-356986(KwaMavundla Housing)</i>		
Cash book balance at beginning of year	171,749	3,767
Cash book balance at end of year	181,206	171,749
Bank statement balance at beginning of year	171,749	3,767
Bank statement balance at end of year	181,206	171,749
Standard Bank -Port Shepstone		
<i>Account number 89141-356989(Kwaxolo Housing)</i>		
Cash book balance at beginning of year	60,354	56,561
Cash book balance at end of year	133,354	60,354
Bank statement balance at beginning of year	60,354	56,561
Bank statement balance at end of year	133,354	60,354
Standard Bank -Port Shepstone		
<i>Account number 90439-364623(kwaNdwane Housing)</i>		
Cash book balance at beginning of year	2,491,688	152,537
Cash book balance at end of year	2,429,339	2,491,688
Bank statement balance at beginning of year	2,491,688	152,537
Bank statement balance at end of year	2,429,339	2,491,688
Investec		
<i>Account number 1400-190309-500 -MHOA</i>		
Cash book balance at beginning of year	19,276,640	17,930,491
Cash book balance at end of year	20,320,438	19,276,640
Bank statement balance at beginning of year	19,276,640	17,930,491
Bank statement balance at end of year	20,320,438	19,276,640

	2011	2010 Restated
Standard Bank -Port Shepstone		
<i>Account number 89111-356985(CCDC)</i>		
Cash book balance at beginning of year	823,442	-
Cash book balance at end of year	97,201,348	823,442
Bank statement balance at beginning of year	823,442	-
Bank statement balance at end of year	97,201,348	823,442
Standard Bank -Port Shepstone		
<i>Account number 89111-357732</i>		
Cash book balance at beginning of year	80,981	75,891
Cash book balance at end of year	85,441	80,981
Bank statement balance at beginning of year	80,981	75,891
Bank statement balance at end of year	85,441	80,981
Standard Bank -Port Shepstone		
<i>Account number 89111-360253-Standard Bank</i>		
Cash book balance at beginning of year	62,028,193	167,022,450
Cash book balance at end of year	1,222,235	62,028,193
Bank statement balance at beginning of year	62,028,193	167,022,450
Bank statement balance at end of year	1,222,235	62,028,193
ABSA -Port Shepstone		
<i>Account number 9153737426-Money Market</i>		
Cash book balance at beginning of year	-	-
Cash book balance at end of year	-	-
Bank statement balance at beginning of year	-	-
Bank statement balance at end of year	-	-
Total Bank Accounts	137,087,632	123,145,000

19. PROPERTY RATES

Actual		
Rates Residential	208,845,979	200,956,890
Commercial Properties	30,229,633	29,609,331
Industrial Properties	7,301,265	6,553,977
Mining Properties	149,690	217,994
Agriculture-Bona Fide Properties	962,457	473,018
Institutional Properties	2,725,071	2,699,172
Special Purpose Properties	146,282	130,142
Public Service Infrastructure	1,124,792	1,074,916
Total Property Rates Before Rebates	251,485,169	241,715,440
Rebates		
Adjustments	-	1,132,028
Rebates	4,103,830	1,673,136
Impermissible and Reduction	25,322,321	1,276,430
Phasing In	593,618	24,376,968
Exemptions	941,774	1,993,352
Total Rebates	30,961,543	30,451,914
Total Assessment Rates After Rebates	220,523,626	211,263,526
Property Valuations		
Rates Residential	29,300,813,582	28,898,320,267
Commercial Properties	2,063,095,864	2,045,972,864
Industrial Properties	472,434,822	459,099,822
Mining Properties	4,980,000	18,480,000
Agriculture-Bona Fide Properties	1,335,953,000	1,334,252,000
Agriculture-Mixed Properties	148,408,000	138,216,000
Institutional Properties	755,615,040	759,890,040
Special Purpose Properties	53,426,400	38,917,000
Public Service Infrastructure	891,728,000	890,112,000
Municipal Owned Properties	564,236,000	560,896,000
Total Valuations	35,590,690,708	35,144,155,993

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2008. Interim valuations are processed on a quarterly basis to take into account changes in individual property values due to alterations.

20. SERVICE CHARGES

	2011	2010 Restated
Sale of Electricity	66,128,854	59,837,896
Refuse Removal	31,070,682	25,636,538
Total Service Charges	97,199,536	85,474,434

21. INTEREST EARNED

External Investments:		
Investments	9,632,262	11,311,897
	9,632,262	11,311,897
Outstanding Debtors		
Debtors	7,068,347	9,530,247
	7,068,347	9,530,247
Total Interest Earned	16,700,609	20,842,144

22. GOVERNMENT GRANTS AND SUBSIDIES

Equitable Share	70,295,243	56,245,340
Operations Grants	70,295,243	56,245,340
Conditional Grants	79,795,532	99,459,351
National:FMG Grant	1,528,969	826,625
National:MSIG Grants	793,842	356,329
National:MIG Grants	31,368,611	23,909,471
National:Disaster Management Grants	3,058,413	59,880,262
Provincial:Housing Grants	40,761,726	11,530,957
Provincial:Museum Services	283,000	-
Provincial :Libraries Projects Subsidies	310,294	250,606
Provincial: Other Spheres of Government	1,690,677	2,705,101
Other:Independent Development Corporation	-	-
Total Government Grants and Subsidies	150,090,775	155,704,691

22.1 Equitable Share

Balance unspent at beginning of year	-	-
Current year receipts	70,295,243	56,245,340
Conditions met - transferred to revenue	(70,295,243)	(56,245,340)
Conditions still to be met - transferred to liabilities	-	-

In terms of the Constitution ,this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a monthly subsidy towards the cost of basic services which is funded from this grant.

22.2 Financial Management Grant (FMG)

Balance unspent at beginning of year	349,461	426,086
Current year receipts	1,200,000	750,000
Conditions met - transferred to revenue	(1,528,969)	(826,625)
Conditions still to be met - transferred to liabilities	20,492	349,461

This grant is used to subsidise the costs of building capacity of the Treasury department and the Financial Management Internship programme.Certain conditions have been met .There was no delay or withholding of the grant.

22.3 Municipal Support Infrastructure Grant (MSIG)

Balance unspent at beginning of year	43,842	171
Current year receipts	750,000	400,000
Conditions met - transferred to revenue	(793,842)	(356,329)
Conditions still to be met - transferred to liabilities	-	43,842

This grant is used to subsidise the costs of revising the Integrated Development Plan.Certain conditions have been met.There was no delay or withholding of the grant.

22.4 Credit Management Grant

Balance unspent at beginning of year	400,000	400,000
Conditions met - transferred to revenue	(400,000)	-
Conditions still to be met - transferred to liabilities	-	400,000

This grant is used to subsidise the costs of revenue collection strategy .The conditions of the grant have been met. There was no delay or withholding of the grant.

22.5 Municipal Infrastructure Grant

	2011	2010 Restated
Balance unspent at beginning of year	18,203,416	28,928,887
Current year receipts	19,557,000	13,184,000
Conditions met - transferred to revenue	(31,368,611)	(23,909,471)
Conditions still to be met - transferred to liabilities	<u>6,391,805</u>	<u>18,203,416</u>

This grant is used to subsidise the costs of infrastructure. Conditions of the grant have been met. There was no delay or withholding of the grant.

22.6 Disaster Management Grant

Balance unspent at beginning of year	3,058,413	62,938,675
Conditions met - transferred to revenue	(3,058,413)	(59,880,262)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>3,058,413</u>

This grant is used to subsidise the costs of Disaster due to floods in our area. Certain conditions of the grant have been met. There was no delay or withholding of the grant.

22.7 Housing grants

Balance unspent at beginning of year	40,935,744	40,302,216
Current year receipts	18,318,792	12,164,485
Conditions met - transferred to revenue	(40,761,726)	(11,530,957)
Conditions still to be met - transferred to liabilities	<u>18,492,810</u>	<u>40,935,744</u>

This grant is used to subsidise the costs of providing efficient administrative services. Certain conditions of the grant have been met. There was no delay or withholding of the grant.

22.8 Operations Grant

Balance unspent at beginning of year	92,115	92,115
Conditions met - transferred to revenue	(92,115)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>92,115</u>

This grant is used to subsidise the costs of providing efficient administrative services. The conditions of the grant have been met. There was no delay or withholding of the grant.

22.9 Environmental grant

Balance unspent at beginning of year	24,700	24,700
Conditions met - transferred to revenue	(24,700)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>24,700</u>

This grant is used to subsidise the cost of maintaining the environment within the area. The conditions of the grant have been met. There was no delay or withholding of the grant.

22.10 Provincial Museum Subsidies

Balance unspent at beginning of year	138,000	-
Current year receipts	145,000	138,000
Conditions met - transferred to revenue	(283,000)	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>138,000</u>

This grant is used to subsidise the costs of maintaining the Museum. Conditions of the grant have been met. There was no delay or withholding of the grant.

22.11 Grant Spatial Planning

Balance unspent at beginning of year	60,000	-
Current year receipts	-	100,000
Conditions met - transferred to revenue	(60,000)	(40,000)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>60,000</u>

This grant is used for the development of the Rural Nose Framework . The conditions of the grant have been met. There was no delay or withholding of the grant.

22.12 Provincial Library Project Subsidies

Balance unspent at beginning of year	124,294	278,900
Current year receipts	186,000	96,000
Conditions met - transferred to revenue	(310,294)	(250,606)
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>124,294</u>

This grant is used to subsidise the costs of maintaining the libraries. The Conditions of the grant have been met. There was no delay or withholding of the grant.

	2011	2010 Restated
22.13 Capacity Building Grant		
Balance unspent at beginning of year	290,545	388,995
Conditions met - transferred to revenue	(290,545)	(98,450)
	-	-
Conditions still to be met - transferred to liabilities	-	290,545

This grant is used to subsidise the cost of capacitating the municipal staff. Conditions of the grant have been met. There was no delay or withholding of the grant.

22.14 Umsobomvu Youth Fund

Balance unspent at beginning of year	23,474	23,474
Conditions met - transferred to revenue	(23,474)	-
	-	-
Conditions still to be met - transferred to liabilities	-	23,474

This grant is used to subsidise the costs of providing the services to the youth. Conditions of the grant have been met. There was no delay or withholding of the grant.

22.15 2010 Raha Bolo

Balance unspent at beginning of year	276,473	276,473
Conditions met - transferred to revenue	(276,473)	-
	-	-
Conditions still to be met - transferred to liabilities	-	276,473

This grant is used to subsidise the costs of promoting the 2010 FIFA world cup. Conditions of the grant have been met. There was no delay or withholding of the grant.

22.16 Subsidy-HIV AIDS

Balance unspent at beginning of year	86,720	-
Current year receipts	-	86,720
Conditions met - transferred to revenue	(86,720)	-
	-	-
Conditions still to be met - transferred to liabilities	-	86,720

This grant is used to subsidise the fight against aids campaign. The conditions of the grant have been met. There was no delay or withholding of the grant.

22.17 Economic Development

Balance unspent at beginning of year	257,571	257,571
Conditions met - transferred to revenue	(257,571)	-
	-	-
Conditions still to be met - transferred to liabilities	-	257,571

This grant is used to subsidise the cost of promoting economic development in the area. The conditions of the grant have been met. There was no delay or withholding of the grant.

22.18 Sport Grant

Balance unspent at beginning of year	913,500	913,500
Conditions still to be met - transferred to liabilities	913,500	913,500

This grant is used to subsidise various sporting codes. The conditions of the grant have not been met. There was no delay or withholding of the grant.

22.18 Gijima-2nd Economy

Balance unspent at beginning of year	41,865	41,865
Conditions still to be met - transferred to liabilities	41,865	41,865

This grant is used to subsidise the local economic development in the area. The conditions of the grant have not been met. There was no delay or withholding of the grant.

22.19 Student Grant

Current year receipts	-	150,000
Conditions met - transferred to revenue	-	(150,000)
Conditions still to be met - transferred to liabilities	-	-

This grant is used to subsidise students at the Tertiary level. The conditions of the grant have been met. There was no delay or withholding of the grant.

22.20 School Crossing Grant(Lollipop)

Current year receipts	-	184,988
Conditions met - transferred to revenue	-	(184,988)
Conditions still to be met - transferred to liabilities	-	-

This grant is used to subsidise the cost of assisting school children in crossing the street. The conditions of the grant have been met. There was no delay or withholding of the grant.

22.21 Corridor Fund Ugu

Balance unspent at beginning of year	1,272,514	-
Current year receipts	-	3,542,976
Conditions met - transferred to revenue	-	(2,270,462)
Conditions still to be met - transferred to liabilities	1,272,514	1,272,514

This grant is used to subsidise the cost of upgrading the Airport for the FIFA world cup. Conditions of the grant have not been met. There was no delay or withholding of the grant.

22.22 Department of Energy

Current year receipts	18,000,000	-
Conditions still to be met - transferred to liabilities	18,000,000	-

This grant is used to subsidise the cost of financing electricity infrastructure. Condition of the grant have not been met. There was no delay or withholding of the grant.

22.23 COGTA

Current year receipts	263,500	-
Conditions still to be met - transferred to liabilities	263,500	-

This grant is used to pay for the salary of the shared service town planning official. Condition of the grant have not been met. There was no delay or withholding of the grant.

22.24 Ugu District Municipality- IDP Support

Current year receipts	151,666	-
Conditions still to be met - transferred to liabilities	151,666	-

This grant is used to subsidise the cost of IDP document compilation. Condition of the grant has not been met. There was no delay or withholding of the grant.

22.25 COGTA-Urban Renewal

Current year receipts	1,000,000	-
Conditions still to be met - transferred to liabilities	1,000,000	-

This grant is used to subsidise the cost of developing Margate. Condition of the grant has not been met. There was no delay or withholding of the grant.

22.26 Changes in levels of Government Grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

23 OTHER INCOME

The major categories of other income are the following:-

	2011	2010 Restated
Airport Expenses	3,266,053	2,315,923
Skills Development Refund	601,655	718,874
Admin and Certificate related	815,962	1,594,344
Town Planning related	1,926,461	5,412,352
Miscellaneous	2,277,078	887,311
Traffic and Fire related	548,437	567,239
Primary Health Care	-	3,006,660
Bad Debts Recovered	27,425	-
Total Other Income	9,463,071	14,502,703

24 EMPLOYEE RELATED COSTS

Salaries and Wages	129,458,209	117,368,884
Contributions for UIF, Pensions and Medical Aids	30,913,881	27,136,072
Travel, motor car, accommodation, S & T and other allowances	7,766,578	6,304,508
Housing benefits and allowances	2,005,436	1,453,781
Overtime payments	9,886,549	6,785,614
Performance and other bonuses	10,966,854	8,796,126
Long-service awards	1,822,415	923,681
Post retirement medical benefits	5,707,714	817,000
Other employee related costs	20,350,750	23,625,094
Total Employees Related Costs	218,878,386	193,210,760

Remuneration of the Municipal Manager

Annual Remuneration	497,858	503,137
Car, Entertainment, Housing, Subsistence and Other Allowances	442,710	328,072
Contributions to UIF, Medical and Pension Funds	24,027	24,027
	964,595	855,236

Remuneration of the Chief Financial Officer

Annual Remuneration	259,000	435,706
Car, Entertainment, Housing, Subsistence and Other Allowances	177,557	247,319
Contributions to UIF, Medical and Pension Funds	23,888	27,866
	460,445	710,891

The Chief Financial Officer resigned in June 2010 and the current Chief Financial Officer assumed duties on the 02 December 2010.

Remuneration of the Director : Corporate Services

Annual Remuneration	310,600	310,600
Car, Entertainment, Housing, Subsistence and Other Allowances	362,445	304,787
Performance Bonus	78,088	-
Contributions to UIF, Medical and Pension Funds	23,400	23,400
	774,533	638,787

Remuneration of the Director : Economic Development

Annual Remuneration	100,580	277,240
Car, Entertainment, Housing, Subsistence and Other Allowances	322,409	303,171
Performance Bonus	68,581	-
Contributions to UIF, Medical and Pension Funds	39,478	45,932
	531,048	626,343

Remuneration of the Director : Operations

Annual Remuneration	-	83,318
Car, Entertainment, Housing, Subsistence and Other Allowances	-	57,942
Contributions to UIF, Medical and Pension Funds	-	6,277
	-	147,537

The Director of Operations resigned on 30 November 2009 and the post is still vacant.

Remuneration of the Director : Infrastructure and Human Settlements

Annual Remuneration	392,781	280,042
Car, Entertainment, Housing, Subsistence and Other Allowances	199,569	133,026
Contributions to UIF, Medical and Pension Funds	76,495	53,578
	668,845	466,646

The Director of Infrastructure and Human Settlements started on 01 September 2009

Remuneration of the Director : Cleansing and Maintenance

Annual Remuneration	627,108	575,971
Car, Entertainment, Housing, Subsistence and Other Allowances	102,593	96,000
Performance Bonus	91,946	-
Contributions to UIF, Medical and Pension Funds	-	-
	821,647	671,971

	2011	2010 Restated
Remuneration of the Director : Protection Services		
Annual Remuneration	301,134	301,134
Car, Entertainment, Housing, Subsistence and Other Allowances	387,617	313,787
Performance Bonus	78,088	-
Contributions to UIF, Medical and Pension Funds	23,866	23,866
	790,705	638,787

Remuneration of the Director : Health and Community Services		
Annual Remuneration	287,045	349,026
Car, Entertainment, Housing, Subsistence and Other Allowances	321,802	267,514
Performance Bonus	78,317	-
Contributions to UIF, Medical and Pension Funds	23,415	23,400
	710,578	639,940

Remuneration of the Director : Planning and Development		
Annual Remuneration	477,212	468,915
Car, Entertainment, Housing, Subsistence and Other Allowances	222,478	166,655
Performance Bonus	103,727	-
Contributions to UIF, Medical and Pension Funds	37,613	36,400
	841,030	671,970

The previous Director of Operations and Chief Financial Officer received performance bonuses amounting to R 122,765 and R 61,002 respectively for the 2009/2010 financial year

Total Senior Management	6,563,425	6,068,108
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25 REMUNERATION OF COUNCILLORS

Mayor's allowance	609,206	576,275
Deputy Mayor's allowance	510,454	461,020
Speaker's allowance	532,744	461,020
Councillors' allowances - Part time	8,519,803	8,810,373
Councillors' allowances - Full time	4,441,106	3,623,425
Total Remuneration of Councillors	14,613,313	13,932,113

The total remuneration of councillors does not include unemployment Insurance Fund as the Hibiscus Coast Municipality councillors do not contribute to the fund.

In Kind Benefits

The Mayor, Deputy Mayor and a Speaker and Executive committee members are full time. Each is provided with an office and a secretarial support at a cost to the council.

The Mayor has use of the Council owned vehicle for official duties. The Mayor has two full time

Councillors may utilize official Council transportation when engaged in official duties.

26 DEPRECIATION AND AMORTISATION

Depreciation :Property Plant and Equipment	43,013,438	42,187,849
Amortisation: Intangible Assets	250,571	289,367
Total Depreciation and Amortisation	43,264,009	42,477,216

27 FINANCE COSTS

Borrowings	3,713,811	1,834,975
Total Finance Costs	3,713,811	1,834,975

28 BULK PURCHASES

Electricity	45,912,213	35,870,394
Total Bulk Purchases	45,912,213	35,870,394

Bulk purchases are the cost commodities not generated by the municipality, which the municipality distributes to the municipal area for resale to the consumers. Bulk electricity is purchased from Eskom.

29 CONTRACTED SERVICES

Security Services	4,341,587	4,105,096
Lifeguarding Services	4,266,023	4,931,149
Verge Cutting Services	3,463,312	2,329,523
Cleaning Services	804,211	495,715
Shark Meshing Fees	4,771,632	-
Other Contracted Services	832,954	4,577,282
Total Contracted Services	18,479,719	16,438,765

30 GENERAL EXPENSES

Included in general expenses are the following:

	2011	2010 Restated
Advertising	623,181	1,009,260
Aircraft Expenses	2,569,839	2,129,621
Bank Charges	998,836	786,378
Budget Road shows	376,789	604,711
Chemicals & Pesticides	581,015	674,100
Clearing Charges	689,916	598,625
Electricity charges	4,687,322	3,686,327
Free Basic Services	2,662,985	3,146,756
HIV Aids	-	228,657
Insurance	1,979,152	1,744,806
Legal Fees	2,267,559	2,070,236
Miscellaneous	14,786,632	9,867,622
1 House 1 Garden Project	120,383	265,022
2010 Activation	-	325,602
Home Based Care Networking	404,798	573,509
Leasing-Properties	1,068,210	706,649
Licenses	682,626	415,742
Margate Airport Business plan	-	3,157,674
Pont Caravan Park	-	800,000
Poverty Alleviation Projects	266,657	406,857
Refuse Bags	1,413,382	1,264,251
Youth Empowerment	846,537	603,408
Plant Hire	1,228,006	814,412
Postage	1,558,364	1,390,485
Printing & Stationery	1,245,656	1,483,227
Professional Fees	6,115,565	6,204,632
Refuse Site Disposal Charges	1,288,233	2,790,508
Rents & Leases	10,481,759	8,954,210
Skills Development Levy	1,784,568	1,524,868
Small Assets	181,420	146,551
Special Functions	-	1,110,787
Housing expenditure	42,014,809	-
Stores & Material	1,397,785	1,302,348
Subscriptions	747,227	739,274
Subsistence & Travelling	1,552,877	1,270,901
Security Monitoring Charges	4,173,333	3,793,322
Summons	103,964	635,797
Telephone	4,351,436	4,226,026
Training	1,753,929	1,740,953
Valuation Fees	879,049	800,906
Water Charges	2,044,468	2,974,958
Workman's Compensation	971,602	-
Total General Expenses	120,899,867	76,969,977

31 AUDIT FEES

Opening Balance	-	-
Amount Paid Current Year	2,433,739	2,268,588
Balance unpaid at the end of the year	-	-
Total Audit Fees	2,433,739	2,268,588

32 IMPAIRMENT LOSSES**32.1 Impairment Losses on Fixed Assets**

Impairment Losses Recognised	222,552	70,399
Property, Plant and Equipment	27,491	17,631
Intangible Assets	195,061	52,768
Total Impairment Losses	222,552	70,399

Impairment losses on property, plant and equipment exist predominantly due to technological obsolescence of information technology equipment. The remainder of impaired items of property, plant and equipment have been physically damaged, stolen or have become redundant and idle.

33 PROFIT/(LOSS) ON FAIR VALUE ADJUSTMENT

Investment Property Carried at Fair Value	95,631,340	-
Total Loss on Fair Value Adjustment	95,631,340	-

34 CASH GENERATED BY OPERATIONS

	2011	2010 Restated
Surplus/(Deficit) for the year	(93,571,977)	63,354,681
Accumulated Surplus adjustments	-	16,851,048
Depreciation and Amortisation	43,264,009	42,477,216
Loss in Fair Value Adjustments on investment Property	95,631,340	-
Gain on Fair Value of Property, Plant and Equipment	(8,727,766)	-
Impairment Losses	222,552	70,399
Losses(Gains) on Disposal of Property, Plant and Equipment	-	638,364
Movements in investment Property	(1,518,000)	-
Impairment Loss Reversal	70,399	-
Contribution to Long-Service Awards Benefits	733,994	343,853
Expenditure on Post Employment Benefits	(5,707,714)	(583,174)
Contribution to Retirement Benefits Provision	4,226,153	8,219,000
Contribution to Landfill Site	7,623,800	3,140,000
Contribution to Staff Leave	-	1,453,163
Contribution to Bad Debts	2,839,763	6,057,131
Bad Debts Written-Off	(2,113,380)	(4,828,269)
Bad Debts Recovered	27,425	-
Investment Income	(16,700,609)	(20,842,144)
Interest Paid	3,713,811	1,834,975
Operating Surplus before working capital changes	30,013,799	118,186,244
Decrease/(Increase) in Inventories	1,034,699	(827,871)
Decrease/(Increase) in Trade Receivables	(15,178,370)	(21,261,077)
Decrease/(Increase) in Other Receivables	5,411,591	-
Increase/(Decrease) in Consumer Deposits	903,016	7,051,604
Increase/(Decrease) in Trade Payables	6,244,691	19,986,107
Increase/(Decrease) in Conditional Grants and Receipts	(20,044,496)	(67,605,015)
Increase/(Decrease) in Operating Lease Liability	(43,430)	81,317
Decrease/(Increase) in Housing Selling Units	-	13,342,437
Cash Generated by / (utilised in) Operations	8,341,502	68,953,746

35 CASH AND CASH EQUIVALENTS

Cash and Cash equivalents included in the cash flow statement comprise the following:

Bank balances and cash	142,711,641	131,493,957
Net cash and cash equivalents(Net of bank overdraft)	142,711,641	131,493,957

36 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure		
Approved and contracted for	85,333,154	110,421,525
Approved but not yet contracted for	25,507,452	35,756,692
Total Capital Commitments	110,840,606	146,178,217
This expenditure will be financed from:		
Internal sources	72,227,595	54,077,154
Government grants	13,933,000	92,101,063
External Loans	24,680,011	-
	110,840,606	146,178,217

37 CONTINGENT LIABILITIES**37.1 Claim for Damages**

(i) The municipality is involved in a dispute with the applicant where the applicant is claiming R629 348.00 storage fees and repairs for council's moveable assets. The outcome of the matter is not known at this stage.

629,348

(ii) The municipality is being sued by the Contractor for cancellation of the contract due to non-performance by the contractor. The council is defending the matter. At this stage the outcome of this matter is unknown.

25,950

(iii) The Council is being sued by the applicant for services rendered on behalf of the Council. The applicant is claiming R27 000.00 The council is contesting the matter and the outcome is not known at this stage.

27,000

(iv) The Council is being sued by the applicant for the hire of vehicle refuse removal of the applicant by the council for R752,400. The council is contesting the claim and the outcome is not known at this stage.

752,400

	2011	2010 Restated
(v) The Council is being sued by the applicant where the applicant is claiming R244, 872.00 for collecting refuse on behalf of the Council during strike by municipal employees. The Council is contesting the claim and the outcome is not known at this stage.		244,872
(vi) The Council is being sued for damages amounting to R23,993.00 to the motor vehicle of the applicant by the municipal vehicles. The council is contesting the claim and the outcome is not known at this stage.		23,993
(vii) The Council is being sued by the applicant for assault by the municipal police. The council is contesting the claim and the outcome is not known at this stage.		250,000
(viii) The Council is being sued for goods delivered to the municipality by the applicant for R155,076.20. The council is contesting the claim and the outcome is not known at this stage.		155,075
(iv) The Council is being sued by the employee for defamation of character. The council is contesting the claim and the outcome is not known at this stage.		80,000
(x) The council is being sued by the applicant for unlawful arrest and assault by the municipal police. The council is defending the matter and the outcome is not known at this stage.		1,400,000
(xi) The council is being sued by two applicants as a result the applicants sustained injuries from fall into an open manhole. The council is defending the matter and the outcome is not known at this stage.		596,990
(xii) The council is being sued by the applicant after the applicants motor vehicles was impounded by the municipal police. The council is defending the matter and the outcome is not known at this stage.		49,000
(xiii) The council is being sued by the applicant as a result of the applicant was injured in the municipal building. The council is defending the matter and the results is not known at this stage.		121,990

38 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

38.1 Contributions to organised local government- SALGA

Council Subscriptions	645,806	601,691
Amount Paid-current year	(645,806)	(601,691)
Balance unpaid(Included in Creditors)	-	-

38.2 Audit Fess

Opening Balance		-
Current year Audit Fee	2,433,739	2,268,588
Amount Paid-current year	(2,433,739)	(2,268,588)
Balance unpaid(Included in Creditors)	-	-

38.3 PAYE and UIF

Opening Balance		
Current year Payroll Deductions	21,502,275	17,246,997
Amount Paid-current year	(21,502,275)	(17,246,997)
Balance unpaid(Included in Creditors)	-	-

38.4 Pension and Medical Aid Deductions

Opening Balance	-	-
Current year Payroll Deductions	29,554,229	25,917,698
Amount Paid-current year	(29,554,229)	(25,917,698)
Balance unpaid(Included in Creditors)	-	-

38.5 Councillor's arrear Consumer Accounts**2011****2010 Restated**

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2011

30 June 2011

	Amount Outstanding	Ageing
Tshomela G.N	464.58	> 90 Days

30 June 2010

	Amount Outstanding	Ageing
Myingwa I.N	1,153	> 90 Days
Njoko D.H	693	> 90 Days
Tshomela G.N	2,128	> 90 Days

39 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED**39.1.Unauthorised Expenditure**

To the best of management's knowledge,no unauthorised expenditure was incurred during the year under review

39.2 Fruitless and Wasteful Expenditure

To the best of management's knowledge,instances of note indicating that fruitless and wasteful expenditure was incurred were not revealed

39.3 Irregular Expenditure**Reconciliation of Irregular Expenditure:**

Opening balance	-	-
Irregular Expenditure current year	1,972,147	-
Condoned or written off by Council	-	-
Irregular Expenditure awaiting condonement	<u>1,972,147</u>	<u>-</u>

Incident	Disciplinary Steps / Criminal Proceedings
<i>Payments amounting to R 341 879 has been disclosed as Irregular Expenditure as a results of three quotations not being obtained contrary to Supply Chain Management processes.</i>	<i>A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".</i>
<i>Payments amounting to R 1 630 269 has been disclosed as irregular Expenditure as a result of absence of contract between the municipality and the supplier contrary to MFMA section 116</i>	<i>A report will be adopted by the Executive Committee, condoning the "Irregular Expenditure".</i>

40 RELATED PARTY DISCLOSURES

The municipality considers a transaction to be related party transaction if any of the following criteria is met in terms of IAS 24:

A party is related to the municipality if one party:

- (i) Directly or indirectly controls , is controlled by ,or is under
- (ii) Has an interest in one party that gives it significant influence
- (iii) Has a joint control over the entity
- (iv) Is an associate
- (v) Is a member of the key management personnel of the
- (vi) Is a close member of the family or resides with any individual
- (vii) Is a post-employment benefit plan for the benefit of the

The following transactions have been identified for the 2010/2011 financial year

40.1 Services Rendered to Related Parties

At 30 June 2011 the municipality rendered services to the following related parties that are related to the municipality as indicated:

	Service Charges	Outstanding Balance
For the period ended 30 June 2011	R	R
Councillors	62,721	2,539
Municipal Manager and Section 57 Personnel	58,607	1,224
Hibiscus Coast Development Agency	-	-
Total Services	<u>121,328</u>	<u>3,762</u>
For the Year Ended 30 June 2010		
Councillors	114,008	3,795
Municipal Manager and Section 57 Personnel	89,816	-
Hibiscus Coast Development Agency	-	-
Total Services	<u>203,824</u>	<u>3,795</u>

The services rendered to Related Parties are charged at approved tariffs that were advertised to the public.

No bad debts were written or recognised in respect of the amount owed by the related parties.

The amounts outstanding are unsecured and will be settled in cash and consumer deposits were received from Councillors, the Municipal Manager and Section 57 Personnel.

The Hibiscus Coast Development Agency is the municipal entity of the council and the council has a sole control of this municipal entity.

40.2 Transactions with Related Parties

Categories	Amount
Hibiscus Coast Development Agency	423,901

This amount was paid by the municipality to the Hibiscus Coast Development Agency and it relates to the re-imbursement of funds paid for projects conducted by the municipal entity on behalf of the municipality.

40.3 Key Management Personnel Compensation

Compensation of Key Management Personnel and Councillors is set out in Notes 24 and 25 respectively to the annual financial statements.

41 RISK MANAGEMENT

41.1 Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. Financial Instruments play a much more limited role in creating or changing risks that would be typical of listed companies to which the IASs mainly apply. Generally, Financial Assets and Liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the municipality in undertaking its activities.

The Treasury Department monitors and manages the financial risks relating to the operations through internal policies and procedures. These risks include interest rate risk, credit risk and liquidity. Compliance with policies and procedures is reviewed by the internal auditors on a continuous basis, and annually by external auditors. The municipality does not enter into or trade financial instruments for speculative purposes.

Internal audit, responsible for initiating a control framework and monitoring and responding to potential risk, reports quarterly to the municipality's audit committee, an independent body that monitors the effectiveness of the internal audit function.

41.2 Significant Accounting Policies

Details of the significant Accounting Policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenditure are recognised, in respect of each class of Financial Asset, Financial Liability and Equity Instrument are disclosed in the Accounting Policies to the Annual Financial Statements.

41.3 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates. No formal policy exists to hedge volatilities in the interest rate market.

41.4 Foreign Currency Risk Management

The municipality's activities do not expose it to the financial risks of foreign currency and therefore has no formal policy to hedge volatilities in the interest rate market.

41.5 Interest Rate Risk Management

Interest Rate Risk is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting percentage exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed periodically by the Chief Financial Officer and authorised by the Council.

Consumer Debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Periodic credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of a provision for impairment.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The municipality is not exposed to interest rate risk as the municipality borrows funds at fixed interest rates.

The municipality's exposures to interest rates on Financial Assets and Financial Liabilities are detailed in the Credit Risk Management section of this note.

Interest Rate Sensitivity Analysis

The municipality had no floating rate long-term financial instruments at 30 June 2011 requiring an Interest Rate Sensitivity Analysis.

The maximum credit and interest risk exposures in respect of the financial instruments are as follows:

Short term Investments	65,000,000	60,000,000
Trade Receivables	92,839,320	80,500,713
Other Receivables	5,013,200	10,424,791
Long-term Receivables	13,713,101	13,337,040
Bank Balances and Cash	142,711,641	131,493,957
Total	319,277,262	295,756,501

42 ELECTRICITY LOSSES

Total Electricity Losses	2,320,757	1,249,070
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The municipality average electricity losses to be approximately 4.8%. The loss is calculated by comparing quantity of electricity sold to quantity purchased.

Electricity Losses can be attributed to illegal connections of electricity and operational usage.

43 CHANGE IN ACCOUNTING POLICY

43.1 Reclassification of Reserves to Accumulated Surplus

The following reserves ie Government Grant Reserve,Capitalisation Reserve,Capital Replacement Reserve and Public Contributions and Donations were transferred to accumulated surplus in order to comply with GRAP 3 requirements adopted by the municipality in 30 June 2009 .

The effect of the Change in Accounting Policy is as follows:

	Accumulated Surplus	Reserves
Balance previously published as per AFS as at 30 June 2009	132,881,344	242,669,978
Reclassification of Reserves	242,669,978	(242,669,978)
Correction of Errors(Note 44)	75,179,913	
Balance now published as per AFS as at 30 June 2009	450,731,235	
Transactions incurred for the year 2009/2010		
Surplus for the year	63,284,884	
Offsetting of Depreciation	11,101,813	
Property Plant and Equipment Purchased	24,843,282	
Contributions to Capital Replacement Reserve	(30,000,000)	
Grant used to obtain PPE	(83,789,733)	
Disposal of PPE	638,364	
Other Accumulated Surplus Adjustments	16,851,048	
Transfer form Housing Development Fund	4,655,749	
Reversal of movements during 2010	46,325,746	
Balance now published as per AFS as at 30 June 2010	504,642,388	

44 CORRECTION OF ERROR

44.1 Reclassification of Unspent Conditional Grants and Receipts and Accumulated Surplus

During the year,It was discovered that the Municipal Infrastructure Grant expenditure in 2008/2009 and 2009/2010 was not recognised as revenue as the conditions of the grant was met in those financial years and Housing grants deposits not accounted for in the accounting records in 2010.

The effect of correction of error is as follows:

Balance previously published as per AFS as at 30 June 2009	151,239,291
MIG Expenditure not accounted for in 2008/2009	(13,200,523)
Balance now published as per AFS as at 30 June 2009	138,038,768
Transactions incurred for the year 2009/2010	
Conditional Grants received during the year	31,853,134
Grants expenditure for the period	(99,458,749)
MIG Expenditure not accounted for in 2009/2010	(24,839,436)
Housing Grant Deposits not correctly accounted for in 2009/2010	20,998,930
Balance now published as per AFS as at 30 June 2010	66,592,647

44.2 Reclassification of Investment property**2011****2010 Restated**

During the year it was discovered that certain investment property were not correctly accounted for in the accounting records and were incorrectly classified as PPE.

The effect of correction of error is as follows:

Balance previously published as per AFS as at 30 June 2010	61,259,000
Investment Property not previously accounted for	86,743,000
Investment Property duplicated in previous year	(2,012,000)
Investment Property disposed and not accounted for	(240,000)
Balance now published as per AFS as at 30 June 2010	145,750,000

44.3 Reclassification of Defined Benefit Plan Obligation

During the year it was discovered that the incorrect valuation report was used to account for Long service Awards Benefits of the municipality.

The effect of correction of error is as follows:

Balance previously published as per AFS as at 30 June 2010	279,697
Correction of previous year's long service awards benefits	6,446,513
Balance now published as per AFS as at 30 June 2010	6,726,210

44.4 Reclassification of Property Plant and Equipment and Accumulated Surplus

During the year it was discovered that certain items of Property, Plant and Equipment were not correctly accounted for in the accounting records of the municipality.

The effect of correction of error is as follows:

Balance previously published as per AFS as at 30 June 2010	745,629,606
Housing schemes incorrectly capitalised	(15,752,953)
Operating expenditure incorrectly capitalised	(2,192,205)
Adjustments to prior year accumulated depreciation on reviewed useful lives of assets with zero carrying amount	6,678,924
Valuation roll expenditure incorrectly capitalised	(7,176,788)
Balance now published as per AFS as at 30 June 2010	727,186,584

44.5 Reclassification of Creditors (Unemployment Insurance Fund for Councillors and Leave Accrual)

The prior year figures of creditors have been restated as a result of accounting for UIF for Councillors which was not previously accounted for in the accounting records of the municipality and to correctly classify the nature of provisions in terms of GRAP 19 with regards to Leave Accrual.

	Provisions	Creditors
The effect of correction of error is as follows:		
Balance previously published as per AFS as at 30 June 2010	29,486,470	79,268,027
Reclassification of Creditors to account for UIF for Councillors	-	1,532,980
Reclassification of Staff Leave to correctly reflect the nature of provisions	(10,116,670)	10,116,670
Balance now published as per AFS as at 30 June 2010	19,369,800	90,917,677

The reclassification of staff leave to comply with GRAP 19 has no effect on the accumulated surplus for 2009/2010

44.6 Restatement of Accumulated Surplus

The above correction of errors 45.1 to 45.5 have the following effect on the accumulated surplus for 30 June 2010

Balance previously published as per AFS as at 30 June 2010	793,365,774
Expenditure on MIG not accounted for in prior period	38,039,959
Housing Grant Deposits not accounted for in the accounting	(20,998,930)
Investment property not accounted for in prior period	86,743,000
Investment property duplicated in prior period	(2,012,000)
Investment property disposed and not accounted for	(240,000)
Prior year long service awards benefits	(6,446,513)
Reversal of prior year accumulated impairment	70,399
Housing schemes incorrectly capitalised	(15,752,953)
Expenditure incorrectly capitalised	(2,192,205)
Prior year accumulated depreciation on reviewed useful lives with zero carrying amount	6,678,924
Valuation roll incorrectly capitalised as PPE	(7,176,788)
Unemployment Insurance Fund for Councillors	(1,532,980)
Balance now published as per AFS as at 30 June 2010	868,545,687

44.7 Reclassification of Consumer Debtors and Other Debtors

The prior year figures of Consumer Debtors and Other Debtors have been restated to correctly classify the nature of Consumer Debtors of the municipality and to comply with GRAP 1)

The effect of the restatement is as follows:

	Consumer Debtors	Other Debtors
Balance previously published as per AFS as at 30 June 2010	90,925,504	-
Reclassification of Consumer Debtors	(10,424,791)	10,424,791
Balance now published per AFS as at 30 June 2010	<u>80,500,713</u>	<u>10,424,791</u>

45 EVENTS AFTER BALANCE SHEET DATE

No material events subsequent to the end of the interim reporting period that have taken place.

46 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant and equipment
 Provision for rehabilitation of landfill site (Discount rate used, number of years and amount of cash flows)
 Present value of defined benefit obligation
 Provision for doubtful debts
 Impairment of assets
 Provision for long-term service awards
 Fair Value adjustments on Investment Property

47 IN-KIND DONATIONS AND ASSISTANCE

The municipality received the following in-kind donations and

DBSA seconded the consultant for the period of 9 months to assist with the financial management at the municipality at no cost to the municipality

48 MUNICIPAL ENTITIES

In terms of section 125(1) of the Local Government Municipal Finance Management Act, 2003 (Act No 56 of 2003) council has an association with the municipal Entity Hibiscus Coast Development Agency.

49 COMPARISON WITH THE BUDGET

The comparison of the municipality's actual financial performance with that budgeted, is set out in Annexures "E (1) and E (2)".

50 PRIVATE PUBLIC PARTNERSHIPS

The municipality was not a party to any Private Public Partnerships.

51 DISCONTINUED OPERATIONS

No operations have been discontinued.

52 GOING CONCERN ASSUMPTION

The financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for the foreseeable future.

HIBISCUS COAST MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

53 RECONCILIATION OF ACTUAL TO BUDGET

53.1 OPERATING BUDGET

DETAILS	30 Jun,2011	30 Jun,2010
Revenue Variances		
Property Rates	(2,652,406)	3,752,779
Property Rates-Penalties and Collection Charges	20,914	(67)
Service Charges	4,826,488	11,542,590
Rental of Facilities and Equipment	(215,712)	82,956
Interest Earned:External Investments	(2,367,738)	(4,688,103)
Interest Earned:Outstanding Receivables	(2,474,784)	530,247
Fines	(1,865,443)	1,371,518
Licences and Permits	45,499	387,840
Income from Agency Services	130,269	216,056
Government Grants and Subsidies	31,159,222	89,253,290
Other Income	(1,918,205)	5,145,254
Gains on Property,Plant and Equipment	8,727,766	295
Total Revenue Variance	33,415,871	107,594,655
Expenditure Variances		
Employee Related Costs	(160,237)	17,070,630
Remuneration of Councillors	(2,235,991)	(1,683,565)
Contribution to Bad Debts	469,805	877,131
Long-term Debtors Written Off	-	3,462,868
Depreciation and Amortisation	(2,235,991)	22,477,216
Repairs and Maintenance	469,805	(3,057,749)
Interest Paid	(1,460,647)	(165,025)
Bulk Purchases	(594,995)	(209,674)
Contracted Services	(902,936)	(1,118,258)
Grants and Subsidies Paid	(5,827,893)	10,053,574
General Expenses	11,662,014	(3,047,380)
Audit Fees	783,739	(31,412)
Write Down of Obsolete Inventory	(582)	(260,000)
Contribution to Landfill Site Rehabilitation	123,800	8,473
Impairment Losses	(7,448)	(79,601)
Gain /(loss) on Fair Value Adjustments	95,631,340	-
Total Expenditure Variance	95,713,784	44,297,228
Surplus for the year	129,129,654	63,297,427

Details of the operating results per segmental classification of expenditure are included in Appendix "D", whilst operational results per category of expenditure, together with an explanation of significant variances of more than 10% from budget, are included in Appendix "E (1)".

53.2 CAPITAL BUDGET

DETAILS	Actual 30 Jun,2011 R	Budgeted 2010/2011 R	Variance actual/ Budgeted R	Variance actual/ Budgeted %
Capital Expenditure and Funding Source				
External Loans	24,680,013	36,335,368	(11,655,355)	(32)
Internally Funded	19,933,131	47,221,382	(27,288,251)	(58)
Government Grants and Subsidies	13,993,492	46,828,498	(32,835,006)	(70)
Housing	40,996,367	79,369,209	(38,372,842)	(48)
Total Capital Expenditure and Capital Funding Sources	99,603,003	209,754,457	(110,151,454)	

Details of the results per segmental classification of capital expenditure are included in Appendix "C".

APPENDIX A
HIBISCUS COAST MUNICIPALITY
SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2011

Details	Loan Number	Interest Rate	Redeemable	Balance at 30 June 2010	Received during the year	Adjustment during Period	Redeemed/ written off during period	Balance at 30 June 2011
				R	R	R	R	R
LOCAL REGISTERED STOCK								
HE Capital	3 & 4	16.95%	2008	50,000			50,000	
UAL Merchant Bank	2 - 6	19.50%	2008	100,000			100,000	
Total registered stock				150,000	-	-	150,000	-
ANNUITY LOANS								
Development Bank of SA Ltd	Ugu			4,173,089			871,091	3,301,998
Development Bank of SA Ltd	KN 100027/1	13.80%	2012	3,361,181			1,627,189	1,733,993
Development Bank of SA Ltd	13459/102	15.00%	2014	519,569			54,692	464,878
Development Bank of SA Ltd	13459/102	15.00%	2014	2,080,429			218,993	1,861,437
Development Bank of SA Ltd	13864/101	JIBAR	2012	2,587,500			225,000	2,362,500
Development Bank of SA Ltd	15326-3	17.25%	2012	57,142			7,997	49,145
Development Bank of SA Ltd	15326-4	13.47%	2013	387,531			58,762	328,769
Development Bank of SA Ltd	15298.-10	5.54/14.69%	2014	610,110			167,588	442,522
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	32,165			5,494	26,671
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	425,371			172,736	252,636
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	45,583			16,193	29,390
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	31,344			11,135	20,209
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	25,339			9,001	16,338
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	28,897			10,265	18,631
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	10,538			3,743	6,794
Development Bank of SA Ltd	15298.6-10	4.54-14.69%	2014	175,874			44,629	131,245
Planet Finance (N R B)		20.25%	2018	106,527			27,049	79,478
Infrastructure Finance Corporation	HHIBI-00-0001	14.05%	2012	4,144,571			1,491,657	2,652,915
Standard Bank of South Africa		11.56%	2020	-	55,000,000		1,540,994	53,459,006
Total other annuity loans				18,802,761	55,000,000	-	6,564,207	67,238,555

CAPITAL LEASE LIABILITIES								
ABSA Bank Ltd- Bankfin	69152428	12.60%	2010	64,022			64,022	-
ABSA Bank Ltd- Bankfin	69152436	12.60%	2010	64,022			64,022	-
ABSA Bank Ltd- Bankfin	69293994	12.70%	2010	64,022			64,022	-
ABSA Bank Ltd- Bankfin	69297663	11.73%	2010	116,214			116,214	-
ABSA Bank Ltd- Bankfin	69297671	11.73%	2010	134,156			134,156	-
ABSA Bank Ltd- Bankfin	69297680	11.73%	2010	134,156			134,156	-
Total capitalised lease liabilities				576,592	-	-	576,592	-
TOTAL EXTERNAL LOANS				19,529,353	55,000,000	-	7,290,799	67,238,555

ANNUITY LOANS

DBSA

Structured unsecured loans taken over from the local municipalities as a result of a change of powers and functions.Repaid semi-annually at various interest rates.

Planet Finance

Structured unsecured loan. Repayable monthly in fixed instalments of capital and fixed rate interest.

Infrastructure Finance Corp

Structured unsecured 20 year loan. Repayable semi- annually in fixed instalments of capital and fixed rate interest.

Standard Bank

Structured unsecured 10 year loan. Repayable semi-annually in fixed instalments of capital and fixed interest of 11.56%

APPENDIX B
HIBISCUS COAST MUNICIPALITY
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2011

DESCRIPTION	Cost/Revaluation						Accumulated Depreciation/Impairment				Carrying Amount 30Jun2011
	Restated Opening Balance	Fair Value Gain	Transfers	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Impairment	Closing Balance	
	R	R			R		R	R		R	R
Land and Buildings	333,567,400	-	210,737,340	54,285	2,380,944	125,265,289	50,831,144	4,929,402		55,760,546	120,335,887
Infrastructure	279,604,605	-	-	15,545,773	25,488,056	320,638,434	102,394,875	26,954,981		129,349,856	293,683,453
Community Assets	92,132,367	-	-	4,553,928	2,072,539	98,758,834	45,474,594	4,925,657		50,400,251	93,833,177
Other Assets	20,735,656	7,905,691	-	4,424,744	58,000	33,124,091	52,375,843	5,963,931		58,339,774	27,160,160
Heritage Assets	257,086	822,075	-	-	-	1,079,161	-	-	27,491	27,491	1,051,670
Capitilised Leased Assets	889,470	-	-	-	-	889,470	8,432,636	239,467		8,672,103	650,003
	727,186,584	8,727,766	210,737,340	24,578,730	29,999,539	579,755,279	259,509,092	43,013,438	27,491	302,550,021	536,714,350

HIBISCUS COAST MUNICIPALITY : ANALYSIS OF INTANGIBLE ASSETS AS AT 30 JUNE 2011

	OPENING BALANCES					Accumulated Depreciation/Impairment				
	Opening Balance	GRAP 102 Adjustments	Additions	Under Construction	Closing Balance	Opening Balance	Additions	Disposals	Impairment	Carrying Amout
	R				R		R	R		R
Computer Software	834,774	120,852	21,335	-	976,961	85,967	250,571	-	195,061	531,599
	834,774	120,852	21,335	-	976,961	85,967	250,571	-	195,061	531,599

APPENDIX D
HIBISCUS COAST MUNICIPALITY
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD 30 JUNE 2011

30 Jun,2010 Actual Revenue	30 Jun,2010 Actual Expenditure	30 Jun,2010 Surplus/ (Deficit)	DESCRIPTION	30 Jun,2011 Actual Revenue	30 Jun,2011 Actual Expenditure	31 Jun,2011 Surplus/ (Deficit)
R	R	R		R	R	R
123,838,982	114,134,475	9,704,507	Executive and Council	103,915,871	133,406,763	(29,490,892)
10,894.00	1,279,773	(1,268,879)	Corporate Services	-	14,103,308	(14,103,308)
234,157,921	29,098,848	205,059,073	Finance and Admin	303,470,408	197,158,248	106,312,160
67,654,633	51,087,958	16,566,675	Human Settlements and Infrastructure	40,996,637	92,624,197	(51,627,560)
26,660,439	45,882,547	(19,222,108)	Community and Social Services	16,636,589	55,726,319	(39,089,730)
25,676,992	81,163,180	(55,486,188)	Cleansing and Maintenance	31,070,682	35,136,911	(4,066,229)
13,165,427	67,250,880	(54,085,453)	Protection Services	10,476,918	66,761,324	(56,284,406)
5,255,569	9,328,518	(4,072,949)	Planning and Development	6,338,072	11,869,076	(5,531,004)
2,270,462	8,081,966	(5,811,504)	Economic Development	2,716,317	2,415,220	301,097
3,810,230	31,838,723	(28,028,493)	Other			
502,501,549	439,146,868	63,354,681	Total	515,621,494	609,201,366	(93,579,872)

APPENDIX E (1)
HIBISCUS COAST MUNICIPALITY
ACTUAL VERSUS BUDGET (INCOME AND EXPENDITURE) FOR THE PERIOD 30 June 2011

	2011 Actual	2011 Budget	2011 Variance	2011 Variance	Explanation of significant variances greater than 10% versus Budget
	R	R	R	%	
REVENUE					
Property Rates	220,523,626	223,176,032	(2,652,406)	(1.20)	
Penalties Imposed and Collection Charges	117,319	96,405	20,914	17.83	Improvement in collection strategy
Service Charges	97,199,536	92,373,048	4,826,488	4.97	
Rentals of Facilities and Equipment	2,324,932	2,540,644	(215,712)	(9.28)	
Interest Earned on External Investments	9,632,262	12,000,000	(2,367,738)	(24.58)	Conservative budget figures for interest
Interest Earned on Outstanding Receivables	7,068,347	9,543,131	(2,474,784)	(35.01)	Conservative budget figures for interest
Fines	1,419,095	3,284,538	(1,865,443)	(131.45)	Due to fines being contested that leads to delays
Licences and Permits	5,840,705	5,795,206	45,499	0.78	
Agency Services	3,214,060	3,083,791	130,269	4.05	
Government Grants and Subsidies	150,090,775	118,931,552	31,159,222	20.76	Due to housing expenditure recognised as revenue
Other Income	9,463,071	11,381,276	(1,918,205)	(20.27)	Reduced revenue especially on town planning related
Gains on Fair Value on Property, Plant and Equipment	8,727,766	-	8,727,766	100.00	Fair valuing of the PPE not anticipated
	515,621,494	482,205,623	33,415,871	-73.41	
EXPENDITURE					
Employee Related Costs	218,878,386	202,070,221	16,808,165	7.68	
Remuneration of Councillors	14,613,313	15,925,195	(1,311,882)	(8.98)	
Bad Debt Written Off	2,113,380	-	2,113,380	100.00	Debts to be written off not anticipated
Contribution to Bad Debts	2,839,763	3,000,000	(160,237)	(5.64)	
Depreciation	43,264,009	45,500,000	(2,235,991)	(5.17)	
Repairs and Maintenance	25,564,879	25,095,074	469,805	1.84	
Interest Paid	3,713,811	5,174,458	(1,460,647)	(39.33)	Standard bank loan that was received later than planned
Bulk Purchases - Electricity	45,912,213	46,507,208	(594,995)	(1.30)	
Contracted Services	18,479,719	19,382,655	(902,936)	(4.89)	
Grants and Subsidies Paid	6,967,282	12,795,175	(5,827,893)	(83.65)	Grants to the municipal entity that was not paid
General Expenses	120,899,867	109,237,853	11,662,014	9.65	
Audit Fees	2,433,739	1,650,000	783,739	32.20	Interim audits by the auditor-general
Contribution to Landfill Site Rehabilitation	7,623,800	7,500,000	123,800	1.62	
Write Down of Obsolete Inventory	35,418	36,000	(582)	(1.64)	
Impairment Losses	222,552	230,000	(7,448)	(3.35)	
Gain / (loss) on Fair Value Adjustments	95,631,340	-	95,631,340	100.00	Fair value on investment property not budgeted for
	609,193,472	494,103,839	115,089,633	18.89	
NET SURPLUS/ (DEFICIT) FOR THE PERIOD	(93,571,977)		(81,673,762)		

APPENDIX E (2)
HIBISCUS COAST MUNICIPALITY
ACTUAL VERSUS BUDGET(ACQUISITION OF PROPERTY,PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

Description	2011 Total Additions	2011 Adjusted Budget	2011 Variance	2011 Variance	Explanation of Significant Variances greater than 5% versus Budget
Infrastructure Projects	R	R	R	%	
Executive and Council	633,517	441,286	192,231	44	Due to expenditure not anticipated
Corporate Services	81,956	101,660	(19,704)	(19)	Upgrade on the server that did not take place during the year
Finance and Admin	2,853,481	3,745,474	(891,993)	(24)	Due to Valuation roll processes that started late in the year
Human Settlements and Infrastructure	51,934,548	121,905,676	(69,971,128)	(57)	Delays in implementing projects due to long tender process
Community and Social Services	336,829	422,152	(85,323)	(20)	Due to anticipated grant from Dept of Health was not received
Cleansing and Maintenance	736,339	969,000	(232,661)	(24)	Optimum usage of brushcutters
Protection Services	1,765,340	424,000	1,341,340	316	Due to delays in finalising mini tenders by the municipality
Planning and Development	76,200	126,000	(49,800)	(40)	Due to delays in finalising mini tenders by the municipality
Economic Development	158,185	250,000	(91,815)	(37)	Due to delays in finalising mini tenders by the municipality
	58,576,395	128,385,248	(69,808,853)	139	